

## **City of Rockville Thrift Plan**

**Analysis of Investment Performance  
through September 30, 2009**



**George Kiriakos**  
**Vice President**

*October 2009*

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October 27, 2009

Board of Trustees  
City of Rockville Thrift Plan  
111 Maryland Avenue  
Rockville, MD 20854

Dear Board of Trustees:

We have prepared this report to review the experience of the investment options through various time periods ended September 30, 2009. We believe this report will help the Board of Trustees to better understand how the investment options of the Plan have performed and will aid in evaluating any strength or weakness of the investment program.

It should be noted that the information set forth in this report is gathered through research from Morningstar's mutual fund database and the fund families.

We look forward to meeting with you to discuss the performance results of the funds and answer any questions regarding our analysis.

Sincerely yours,

George Kiriakos  
Vice President



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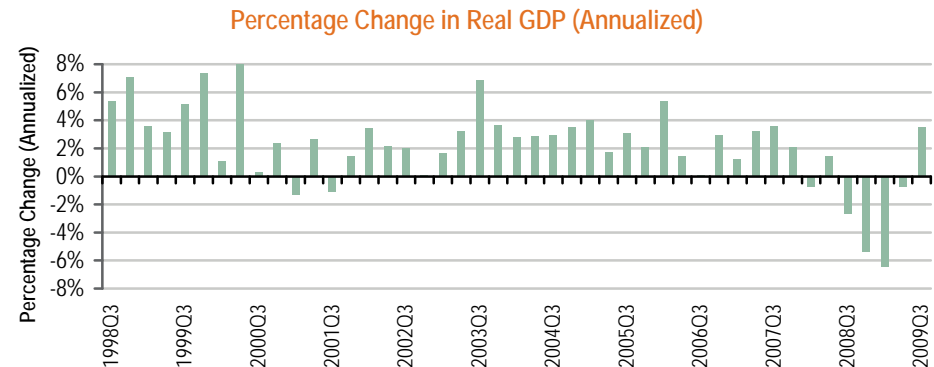
# Financial Market Conditions: Review of Third Quarter 2009

## The Economy: Key Indicators

Page 1 and page 2 focus on Segal Advisors' commentary on select economic indicators for third quarter (Q3) 2009.

### GDP Growth Positive

As shown in the adjacent graph, during Q3 2009, Real Gross Domestic Product (GDP) increased at a 3.5 percent annualized rate, which was higher than the consensus expectation of a 3.2 percent increase. This was the first quarter of growth since the second quarter of 2008 and the largest increase since a 3.6 percent gain in the third quarter of 2007. In addition, the second quarter GDP decline was revised upwards to -0.7 percent from -1.0 percent. The expansion in GDP came from an increase in consumer spending (rose 3.4 percent at an annualized rate), including a sizable increase in auto sales, a smaller rate of decline in inventories (added 0.9 percent to growth), stronger exports, stronger investment in housing (first increase since 2005), and a smaller drop in business investment. The direct contribution of the federal government was less this quarter (0.6 percent vs. 1.1 percent last quarter) and state and local governments continued to contribute negatively.



Source: Bureau of Economic Analysis

### Inflation

#### CPI: Percentage Change Year over Year



In Q3 2009, the headline Consumer Price Index (CPI) increased by 0.6 percent which is lower than the 0.8 percent increase last quarter. Although the headline CPI remains 1.3 percent below the September 2008 level on a year-over-year basis, the rate of decline slowed for the first time since Q2 2008. An increase in energy prices once again contributed to the acceleration of headline inflation, as heightened gasoline, fuel oil, and commodity prices resulted in a 4.8 percent increase in the energy CPI index from Q2 2009 to Q3 2009.

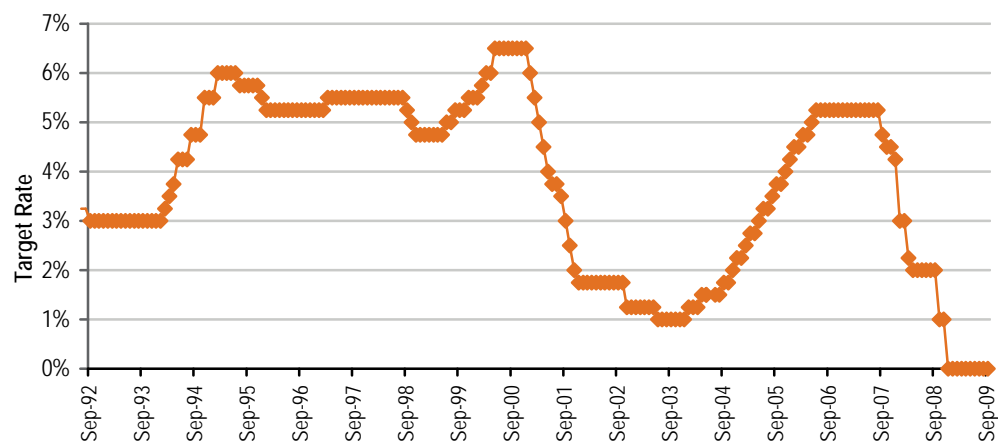
The core CPI index, which excludes both food and energy prices, increased by 0.3 percent during Q3 2009 and surpassed the Q3 2008 level by 1.5 percent. These values indicate that although deflationary pressures continue to ease, prices are not accelerating enough to present a serious threat of near-term inflation. The adjacent graph shows CPI since September 1992.

Source: Bureau of Labor Statistics

## Fed Funds Target Rate

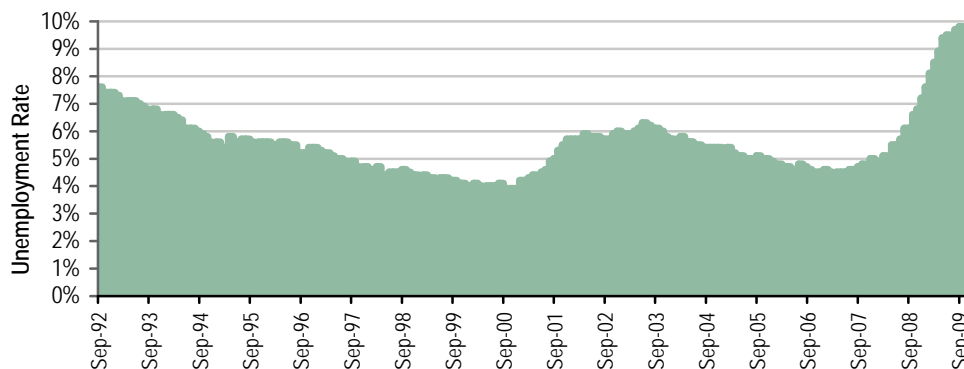
During the September 22-23 FOMC meeting, members agreed to keep the fed funds target rate steady at 0-0.25 percent to promote economic recovery and to preserve price stability. Although data suggests that economic activity has picked up following its severe downturn and financial markets have continued to improve, the FOMC members believe that the economic outlook warrants keeping interest rates at “exceptionally lower levels” for an “extended period.”

Household spending has continued to show signs of stabilizing but remains constrained by ongoing job losses, subdued income growth, lower housing wealth, and tight credit. As stated last quarter, to provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve will purchase up to \$1.25 trillion of agency mortgage-backed securities and up to \$200 billion of agency debt by the end of Q1 2010. In addition, the Federal Reserve disclosed its plans to finish purchasing \$300 billion of Treasury securities by the end of October 2009. The adjacent graph shows the fed funds target rate since September 1992.



Source: Federal Reserve Board

## Labor Market Contraction and the Unemployment Rate



Source: Bureau of Labor Statistics

The labor market continued to contract during Q3 2009. After decreasing slightly in July, the unemployment rate resumed its ascent and ended the quarter at 9.8 percent, the highest rate since 1983. Nonfarm payroll employment declined by 263,000 in September. From May through September, job losses averaged 307,000 per month, compared with losses averaging 645,000 per month from November 2008 to April 2009. Since the start of the recession in December 2007, the number of unemployed has increased by 7.2 million.

Job losses were once again experienced across almost every sector of the economy, with the largest declines occurring in manufacturing, professional and business services, and construction. There continued to be gains in the education/healthcare sector. The adjacent graph shows the unemployment rate since September 1992.

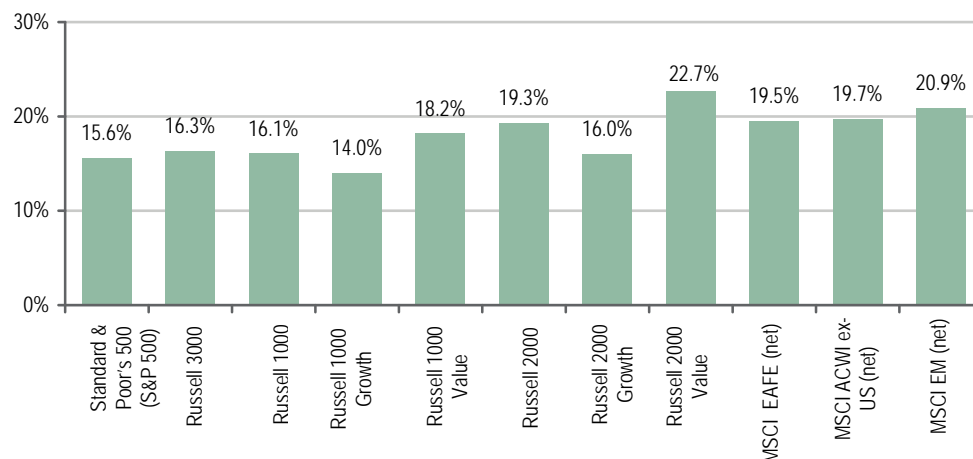


## Investment Performance: Selected Rates of Return

This page presents rates of return for selected equity, fixed income, and other indices. The graphs illustrate returns for Q3 2009. The tables of data show returns for the latest quarter, year-to-date (YTD), one-, three-, five- and 10-year annualized timeframes. All data in the tables are percentages.

### Equity Index Returns

Equity Index Returns: Q3 2009

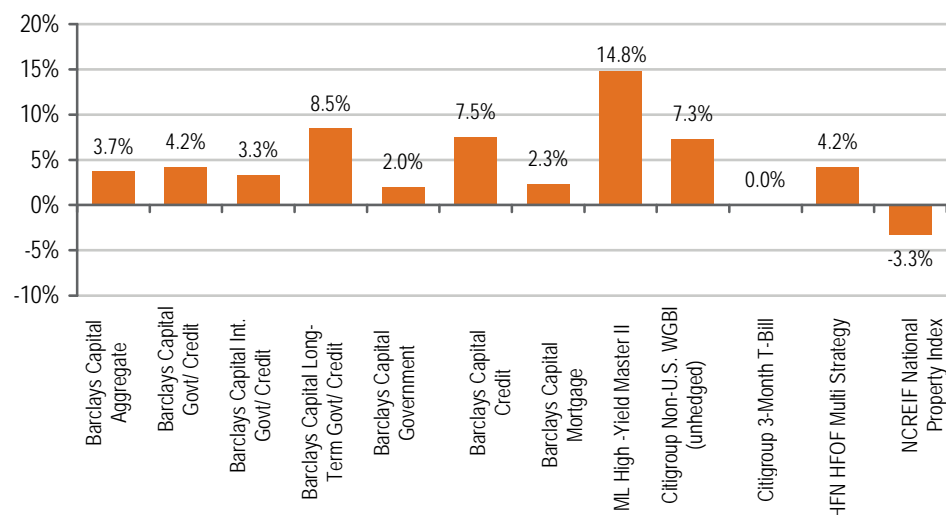


\*Index represents the return of the benchmark net of dividends paid on the stocks.

Equity Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	15.6	19.3	-6.9	-5.4	1.0	-0.2
Russell 3000	16.3	21.2	-6.4	-5.1	1.6	0.7
Russell 1000	16.1	21.1	-6.1	-5.1	1.5	0.4
Russell 1000 Growth	14.0	27.1	-1.9	-2.5	1.9	-2.6
Russell 1000 Value	18.2	14.9	-10.6	-7.9	0.9	2.6
Russell 2000	19.3	22.4	-9.6	-4.6	2.4	4.9
Russell 2000 Growth	16.0	29.1	-6.3	-2.6	2.9	1.1
Russell 2000 Value	22.7	16.4	-12.6	-6.7	1.8	8.1
MSCI EAFE (net)*	19.5	29.0	3.2	-3.6	6.1	2.5
MSCI ACWI ex-U.S. (net)*	19.7	36.4	5.9	-1.2	8.1	4.0
MSCI EM (net)*	20.9	64.5	19.1	8.0	17.3	11.4

### Fixed-Income and Other Index Returns

Fixed Income and Other Index Returns: Q3 2009



Fixed Income Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Barclays Capital Aggregate	3.7	5.7	10.6	6.4	5.1	6.3
Barclays Capital Govt/Credit	4.2	4.7	11.5	6.3	4.9	6.3
Barclays Capital Intermediate Govt/Credit	3.3	4.9	10.0	6.2	4.7	5.9
Barclays Capital Long-Term Govt/Credit	8.5	4.7	18.4	6.9	6.0	7.8
Barclays Capital Government	2.0	-1.2	6.7	6.8	5.2	6.2
Barclays Capital Credit	7.5	14.9	19.5	5.8	4.7	6.5
Barclays Capital Mortgage	2.3	5.3	9.9	7.4	5.9	6.4
ML High-Yield Master II	14.8	48.5	22.4	5.2	6.1	6.0
Citigroup Non-U.S. WGBI (unhedged)	7.3	6.7	16.1	10.2	7.1	6.7
Citigroup 3-Month T-Bill	0.0	0.1	0.4	2.6	3.0	3.0
<b>Other Indices</b>						
HFN HFOF Multi-Strategy	4.2	8.7	-2.1	-0.0	3.1	6.1
NCREIF National Property Index	-3.3	-15.1	-22.1	-1.3	6.2	7.8

## Investment Performance: Equity Sector and Yield Spread Analysis

This page presents data on sector and spread analysis for Q3 2009 alongside commentary from Segal Advisors.

### Equity Sector Analysis

The Financials sector continued its strong performance during Q3 2009, increasing 25.5 percent and experiencing the highest quarterly gain of all the sectors in the S&P 500 Index. The sector contributed 3.4 percent to the 15.6 percent total Index gain. Furthermore, all sectors contributed positively to the S&P 500 Index. Seven of the ten sectors experienced double-digit gains, including Financials, Consumer Discretionary, Consumer Staples, Energy, Industrials, Information Technology, and Materials. See the adjacent table.

### S&P 500 Sector Performance

	Third Quarter 2009		
	Ending Weight (%)	Return (%)	Contribution (%)
Consumer Discretionary	9.2	19.3	1.7
Consumer Staples	11.5	11.4	1.4
Energy	11.7	10.1	1.2
Financials	15.2	25.5	3.4
Health care	13.1	9.5	1.4
Industrials	10.2	22.0	2.1
Information Technology	18.7	17.0	3.2
Materials	3.5	21.5	0.7
Telecom	3.2	5.6	0.2
Utilities	3.7	6.2	0.3

Source: Standard & Poor's

### Option Adjusted Spreads

#### Option Adjusted Spreads (OAS) in Basis Points

	Option Adjusted Spreads			
	12/31/08	6/30/09	9/30/09	10 Year Average OAS
U.S. Aggregate Index	213	107	82	75
U.S. Agency (Non-mortgage) Sector	93	41	33	43
Mortgage and ABS Sectors:				
• Mortgage-Backed Securities	145	36	38	61
• Asset-Backed Securities	955	344	149	160
• CMBS	1010	763	537	195
Credit Sectors:				
• U.S. Investment Grade	493	275	218	174
– Industrial	500	244	176	173
– Utility	537	263	200	178
– Financial Institutions	629	425	288	175
• U.S. High Yield	1669	945	764	614

Source: Baird Advisors using Barclays Capital Data

\*As a reminder, 10 bps equals 0.1 percent.

\*\*OAS is the yield spread of bonds versus Treasury yields taking into consideration differing bond options.

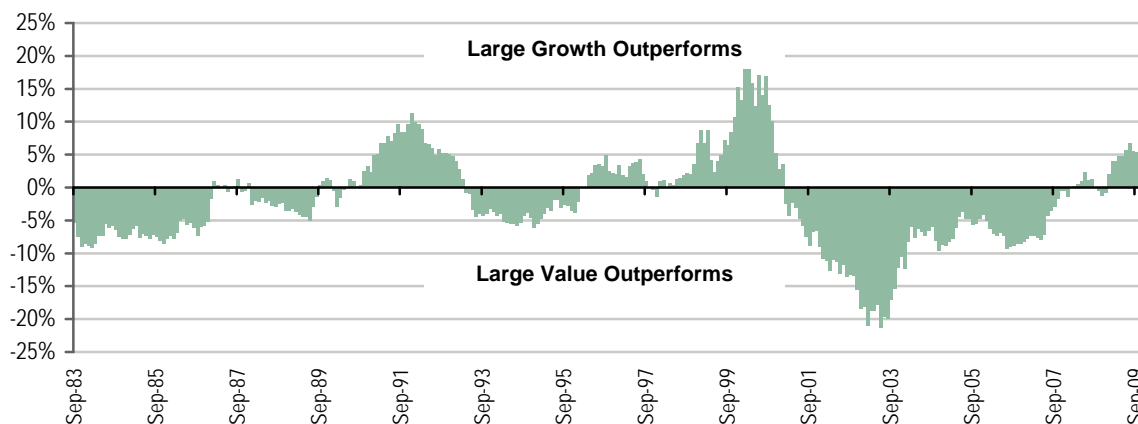
The Government backed purchases of Agency debentures and Agency mortgage-backed securities, along with continued interest and extension of the Term Asset-Backed Securities Loan Facility (TALF) and Public-Private Investment Program (PPIP) programs have brought investors back to the fixed income markets. The aforementioned programs have caused yield spreads across all but one non-Treasury sector to tighten sharply during Q3 2009. The one sector in which spreads expanded was the MBS sector that compressed to 36 bps in Q2 2009, and at the end of Q3 2009 stood at 38 bps. The CMBS sector has tightened, yet investors are still cautious due to concerns over pending maturities and continued deterioration of commercial property fundamentals. The investment grade and U.S. High Yield credit segments continued to perform well; however, spreads for all sectors remain above long-term averages.

## Investment Performance: Long-Term Equity Trends

Segal Advisors observes the relative performance of selected indices. All of the graphs on this page show rolling three-year return deviations from September 1983 through September 2009. These graphs demonstrate the importance of diversification over the long term. Changes are expressed in terms of percentages and/or bps.

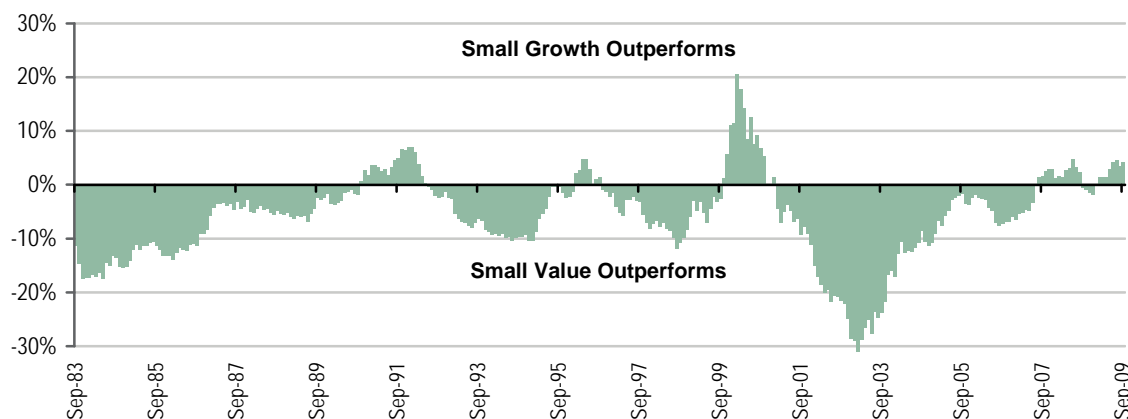
### Large Growth Stocks vs. Large Value Stocks

Large growth stocks continued to outperform large value stocks during Q3 2009, as the Russell 1000 Growth (R1000G) outpaced the Russell 1000 Value (R1000V) in rolling three-year periods over the last nine months. The R1000G outpaced the R1000V on a trailing one-year basis (+877 bps) and on a trailing three-year basis (+537 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000V increased 12.0 percent and the R1000G increased 10.3 percent, a difference of 1.7 percent.



Source: Russell Investments

### Small Growth Stocks vs. Small Value Stocks

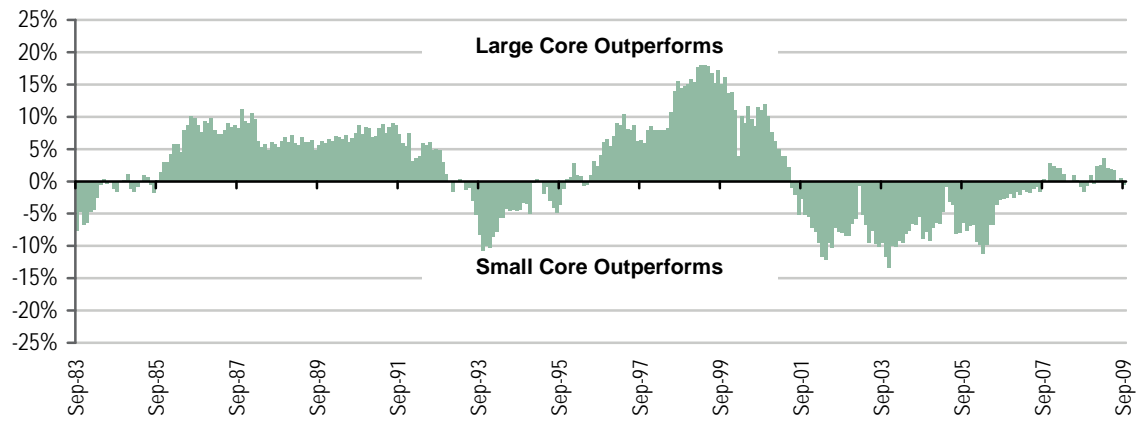


Source: Russell Investments

Similar to large cap stocks, the Russell 2000 Growth (R2000G) outpaced the Russell 2000 Value (R2000V) in rolling three-year periods over the last nine months. The R2000G outperformed the R2000V on a trailing one-year (+632 bps) and a trailing three-year basis (+405 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R2000V increased 13.3 percent and the R2000G increased 8.8 percent, a difference of 4.5 percent.

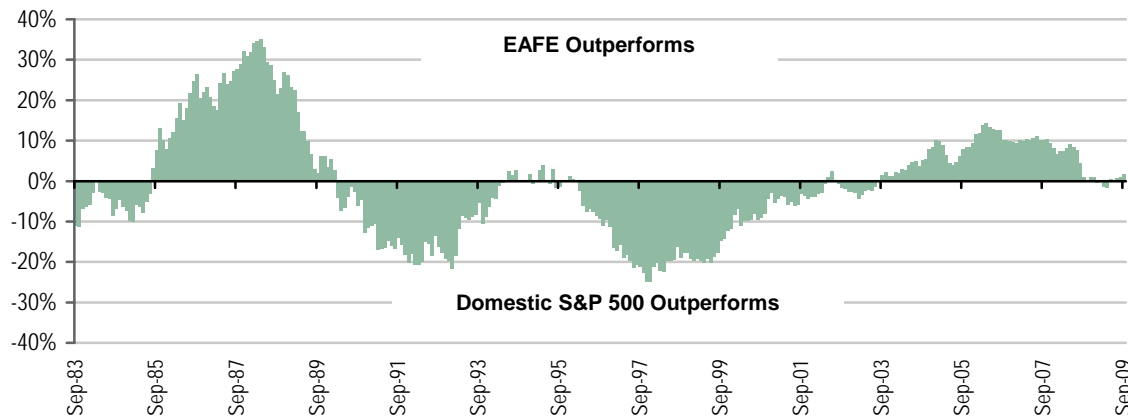
## Large Stocks vs. Small Stocks

After several periods of relative underperformance, small cap stocks outperformed large cap stocks over the latest three-year rolling period; however, the Russell 1000 (R1000) has outpaced the Russell 2000 (R2000) on a trailing one-year basis (+341 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000 increased 11.4 percent and the R2000 increased 11.3 percent, a difference of 0.1 percent.



Source: Russell Investments

## Foreign Stocks vs. U.S. Stocks



Sources: Morgan Stanley Capital International and Standard & Poor's

International stocks continued to outperform domestic stocks in rolling three-year periods over the past six months. The MSCI EAFE outpaced the S&P 500 on a trailing one-year basis (+1015 bps) and on a trailing three-year basis (+182 bps). Since January 1979, the S&P 500 increased 11.3 percent and the MSCI EAFE increased 9.6 percent, a difference of 1.7 percent. The adjacent graph compares the rolling three-year returns for both indices.

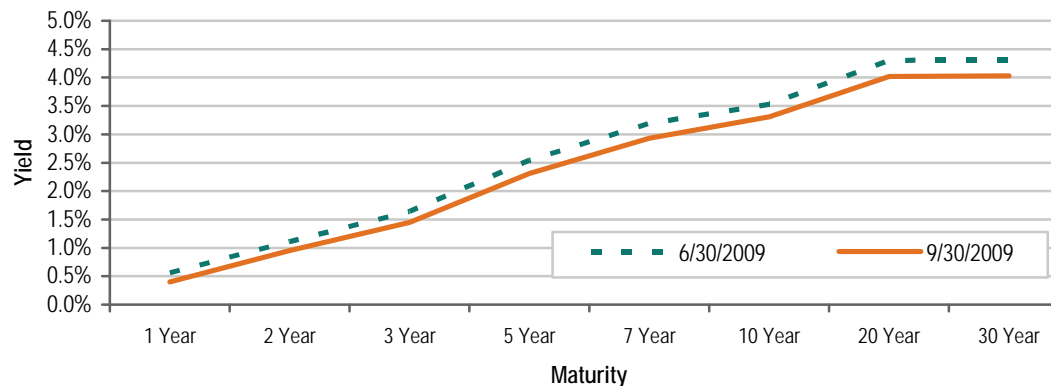
## Investment Performance: Fixed Income and Alternative Asset Class Data

Page 7 and page 8 focus on selected fixed-income and alternative asset class data along with Segal Advisors' commentary.

### Yield Curve Flattening

During Q3 2009, 30-year Treasury yields fell by 28 bps. While yields are still higher on a year-to-date basis, the decline in yields during Q3 partially reflects the impact of strategically timed Government purchases of Treasury, Agency and Agency mortgage-backed securities.

The Treasury curve flattened modestly during Q3 (30-year yield down 28 bps to 4.05 percent, 2-year yield down 16 bps to 0.95 percent) with the difference between 2- and 30-year yields declining to 310 bps from 322 bps on June 30, 2009. The curve remains considerably steeper than at year-end 2008 when the 2- and 30-year spread was 192 bps.



Source: U.S. Treasury Department

### Sharp Tightening of Credit Spreads

#### Moody's Corporate-Treasury Bond Spread Baa 10-Yr Constant Maturities



Source: Moody's Economy.com

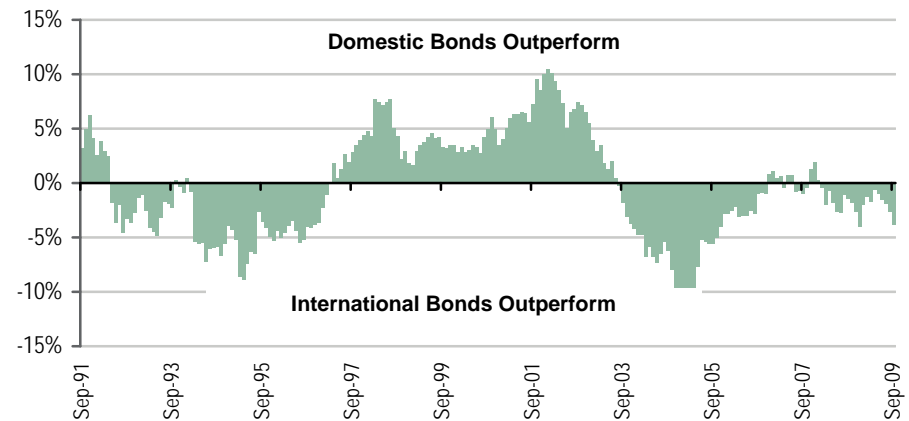
During Q3 2009, credit spreads narrowed to end the quarter at 291 bps over Treasuries. The tightening of spreads can be attributed to an increased appetite for risk exhibited by investors during the quarter and the continued strong cash flow into the bond market.

## International Bond and Domestic Bond Performance

In Q3 2009, international bonds continued to outperform domestic bonds. For the one-year trailing period, international bonds lead domestic bonds by 540 bps. On a rolling three-year and ten-year basis, global bonds have outperformed domestic bonds by 376 bps and 37 bps, respectively.

(Barclays Aggregate-  
Citigroup Non-US WGBI)

Performance of U.S. Bonds vs. International Bonds: Rolling Three-Year Return Deviations  
September 1991 – September 2009



Source: Barclays Capital and Citigroup

## Private Real Estate Sector and Region Performance

### National Property Index Sector and Region Performance

	Returns as of the Third Quarter 2009		
	% Weight of Index	Quarter (%)	1-year (%)
NCREIF NPI Total Return	100%	-3.3	-22.1
<b>Sector</b>			
Apartment	24.2	-3.0	-23.0
Hotel	2.0	-4.5	-26.4
Industrial	15.2	-3.9	-22.4
Office	36.4	-3.3	-24.5
Retail	22.2	-3.1	-15.8
<b>NCREIF Region</b>			
East	33.1	-2.4	-23.5
Midwest	10.6	-2.4	-17.9
South	21.2	-3.2	-18.9
West	35.1	-4.5	-23.7

Source: National Council of Real Estate Investment Fiduciaries

The NCREIF Property Index (NPI) lost 3.3 percent for Q3 2009 and 22.1 percent for the trailing one-year period. The Q3 2009 loss marks the third quarter in a row in which the pace of decline slowed. The peak loss occurred during Q4 2008 (loss of 8.3 percent), which was the worst quarterly decline since NCREIF started compiling results in 1978. During the third quarter, the hotel and industrial sectors were hit the hardest, due to the continued decline in leisure and business travel and the slowdown in global trade. The regions with the largest declines were the West and East, both of which had experienced the greatest value appreciation during the recent real estate boom.

## Quarterly Highlights: Noteworthy Developments

Segal Advisors finds the Q3 2009 developments discussed below to be noteworthy for institutional investors.

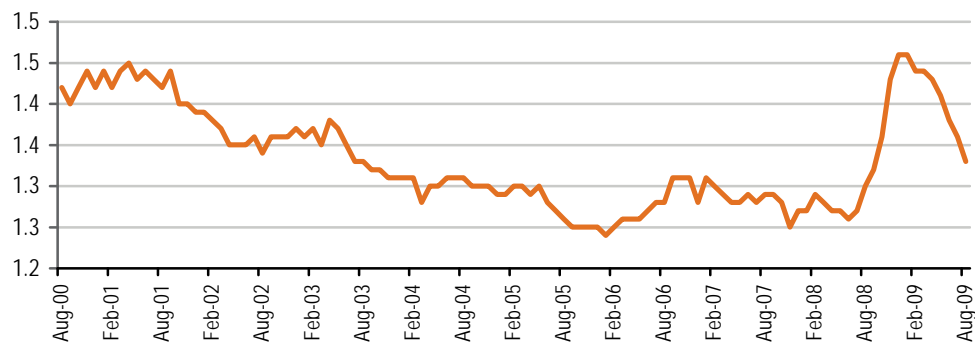
### Total Business Inventories/Sales Ratio

For twelve consecutive months, business inventories have been declining and are currently at the lowest level since December 2005. Total business inventories fell by 1.5% in August, compared with a 1.1% decline in the prior month. The decline in inventories can be attributed to the 7.9 percent drop in inventories within the auto sector. Outside of autos, the pace of inventory cutbacks appears to be slowing.

Total business sales rose 1.0 percent in August after a 0.3 increase in July, with the only decline occurring among manufacturers.

The decrease in inventories combined with the increase in sales has resulted in a total business inventories-to-sales (I/S) ratio of 1.33 in August, compared to 1.36 in July. The I/S ratio measures how many months it takes for businesses to sell off inventories based on the latest monthly sales rate, as shown on the adjacent graph. Over the last year, businesses have been depleting their inventories, but at some point, business will have to replenish their stockrooms before they are left with nothing to sell.

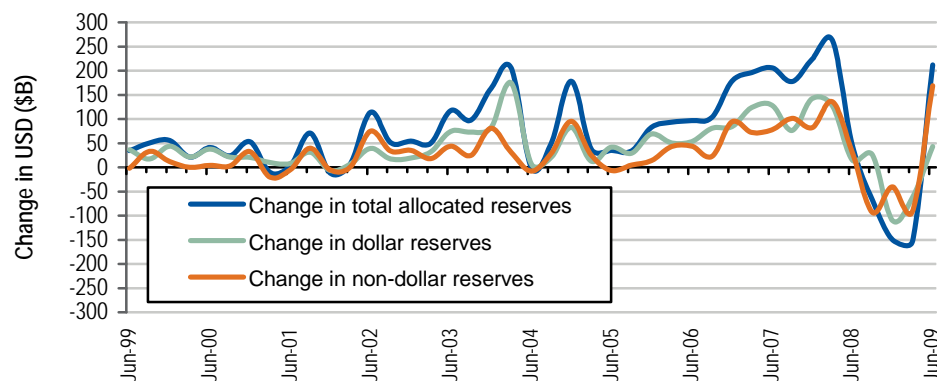
Total Business Inventories/Sales Ratio (SA)



Source: U.S. Census Bureau

### Dollar's Reserve Status

Quarterly Change in Foreign Exchange Holdings of Reserve Banks



Source: International Monetary Fund

The adjacent graph displays the quarterly change in the foreign exchange holdings of reserve banks of the world according to the currency composition of official foreign exchange reserves (COFER) data compiled by the IMF. This data consists of information received from 33 developed and 107 emerging countries.

As shown in the adjacent graph, during Q2 2009, the increase in the dollar reserves substantially lagged the increase in non-dollar reserves. This is the first time since the IMF started compiling the quarterly data in 1999 that central banks have accumulated more than \$100B (includes all currencies) of reserves in a quarter, with the USD's share of this accumulation being less than 30%. It appears central banks are worried about the mounting U.S. debt and U.S. government's ability to pay it back. In a bid to hedge against the possibility of a further devaluation of the dollar, the central banks are ramping up their holdings in Euros and the Yen. Conversely, a cheaper U.S. dollar could be good for its manufacturing and export industries, which can be instrumental in a longer-term economic recovery.

## U.S. Stock Market Valuation

As seen in the accompanying chart, the U.S. stock market, as represented by the S&P 500 Index, could be considered overvalued based on underlying company fundamentals.

For example, comparing the “9/30/09” column to 1-year ago and historical averages, P/E and P/CF are trading well above historical averages, while P/S and E/P are currently trading below historical averages, highlighting that the U.S. stock market may be overbought based on underlying fundamentals.

Since March 9, 2009, the S&P 500 Index is up over 56 percent, and has experienced the highest seven straight months of gains since October 1938 (+55 percent). Conversely, over the past twenty-four months, company earnings have fallen by more than 90 percent, making this the largest decline on record (the data goes back to 1936).

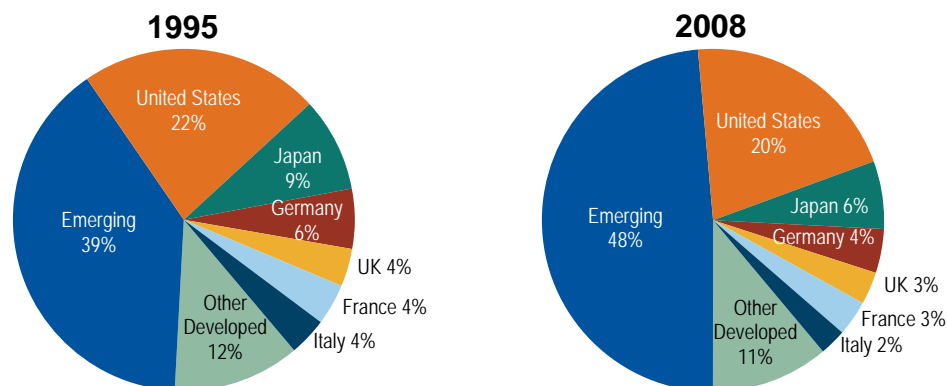
### S&P 500 Index Valuation Measures

Valuation Measures	Description	9/30/09	Historical Averages					
			1-year ago	3-year average	5-year average	10-year average	15-year average	20-year average
P/E	Price to Earnings	26.6x	18.4	18.0	17.5	20.4	20.3	19.6
P/B	Price to Book	2.4x	2.3	2.5	2.6	3.0	3.2	3.0
P/FCF	Price to Free Cash Flow	34.5x	17.5	15.7	15.3	16.6	15.0	12.7
P/S	Price to Sales	1.1x	1.1	1.2	1.3	1.5	1.5	1.5
E/P	Earnings Yield	3.8%	5.4	5.6	5.7	4.9	4.9	5.1
Div. Yield	Dividend Yield	2.1%	2.4	2.2	2.1	1.8	1.8	2.1

Source: J.P. Morgan

## Developing Economies Gaining Share of Global GDP

### Global GDP Breakdown: 1995 vs. 2008



Source: International Monetary Fund

From 1995 to 2008, the face of the global economy has changed as developing economies have gained a larger share of global GDP. As depicted in the adjacent pie charts, emerging economies' share of global GDP has risen dramatically from approximately 39 percent to 48 percent, from 1995 to 2008. An increase in the emerging economies' share has elevated the role that developing nations play in the global economy and worldwide economic recovery.

For example, China's share of global GDP has increased from 5.7 percent to 11.4 percent over 13 years. During 2009, China's government stimulus played an important role in China's GDP growth; however, private domestic demand has also contributed to GDP growth, with retail sales increasing at a 17 percent year-over-year rate. Consensus and official forecasts show China and India at the top of global GDP growth forecasts for both 2009 and 2010, indicating that the U.S. consumer may not be the main engine of economic demand going forward.

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**PLAN ACTIVITY**  
**July 1, 2009 through September 30, 2009**

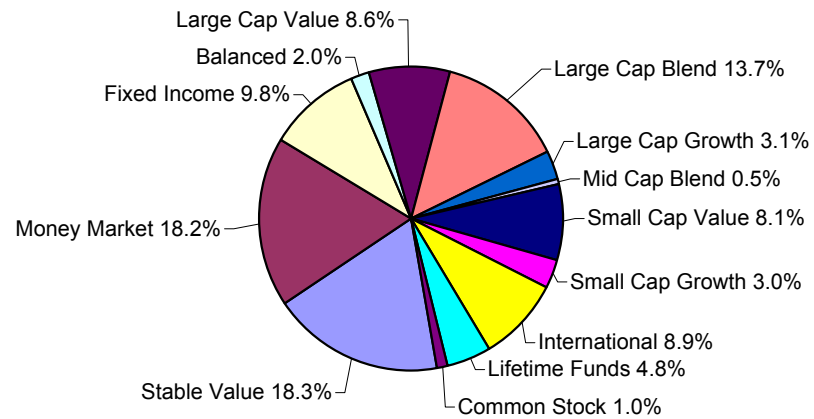
Funds	Beginning Balance July 1, 2009	Contributions	Withdrawals/ Distributions	Net Transfers	Expenses / Fees	Investment Gains/Losses	Ending Balance September 30, 2009
Principal 2 Year Guaranteed Interest Account*	\$ 1,058,853	\$ 39,735	\$ (35,436)	\$ (1,790)	\$ (24)	\$ 3,721	\$ 1,065,059
Principal 7 Year Guaranteed Interest Account*	\$ 1,600,478	\$ 31,796	\$ (55)	\$ 298	\$ (96)	\$ 12,622	\$ 1,645,043
Principal Money Market Account	\$ 2,646,443	\$ 93,822	\$ (5,378)	\$ (51,277)	\$ (1,599)	\$ 263	\$ 2,682,274
Principal Bond & Mortgage Account	\$ 1,269,947	\$ 32,365	\$ (3,734)	\$ (1,382,919)	\$ -	\$ 84,341	\$ -
Vanguard Total Bond Market Index	\$ -	\$ 12,788	\$ (1,947)	\$ 1,425,350	\$ (541)	\$ 13,943	\$ 1,449,593
Principal Stock Emphasis Balanced Account	\$ 253,080	\$ 11,022	\$ (2,383)	\$ (178)	\$ (30)	\$ 31,109	\$ 292,620
Vanguard Windsor II Fund Inv	\$ 1,043,779	\$ 50,650	\$ (7,471)	\$ 4,987	\$ (1,064)	\$ 173,012	\$ 1,263,893
Principal Large Cap Stock Index Account	\$ 1,722,957	\$ 56,728	\$ (8,259)	\$ (9,433)	\$ (978)	\$ 268,945	\$ 2,029,960
Principal Large Company Growth Account	\$ 376,341	\$ 24,812	\$ (2,156)	\$ 4,373	\$ (209)	\$ 61,487	\$ 464,648
Principal Mid Cap Stock Fund (Edge)	\$ 56,013	\$ 5,481	\$ (60)	\$ 6,028	\$ (16)	\$ 12,527	\$ 79,973
Principal Small Company Value Account	\$ 1,028,548	\$ 25,633	\$ (2,720)	\$ (4,956)	\$ (95)	\$ 144,513	\$ 1,190,923
Vanguard Explorer Fund	\$ 379,739	\$ 17,603	\$ (5,743)	\$ (18,361)	\$ (295)	\$ 68,457	\$ 441,400
Principal Diversified International Account	\$ 1,054,327	\$ 46,014	\$ (5,555)	\$ 27,945	\$ (494)	\$ 189,891	\$ 1,312,128
Principal Lifetime Strategic Income	\$ 65,181	\$ 2,497	\$ (447)	\$ (81)	\$ (121)	\$ 6,482	\$ 73,511
Principal Lifetime 2010	\$ 102,794	\$ 4,625	\$ (60)	\$ -	\$ (16)	\$ 14,274	\$ 121,617
Principal Lifetime 2020	\$ 222,377	\$ 14,011	\$ (58)	\$ -	\$ (15)	\$ 34,384	\$ 270,699
Principal Lifetime 2030	\$ 113,297	\$ 11,285	\$ (57)	\$ -	\$ (15)	\$ 18,853	\$ 143,363
Principal Lifetime 2040	\$ 56,044	\$ 8,106	\$ (16,369)	\$ 506	\$ (1,640)	\$ 6,812	\$ 53,459
Principal Lifetime 2050	\$ 34,070	\$ 5,448	\$ (55)	\$ -	\$ (14)	\$ 6,142	\$ 45,591
Principal Common Stock Account	\$ 104,979	\$ -	\$ (207)	\$ (492)	\$ (37)	\$ 46,406	\$ 150,649
<b>Total</b>	<b>\$ 13,189,247</b>	<b>\$ 494,421</b>	<b>\$ (98,150)</b>	<b>\$ -</b>	<b>\$ (7,299)</b>	<b>\$ 1,198,184</b>	<b>\$ 14,776,403</b>

\* Beginning Balance includes Matured Accounts Reinvested

**Asset Allocation Summary**  
**As of September 30, 2009**

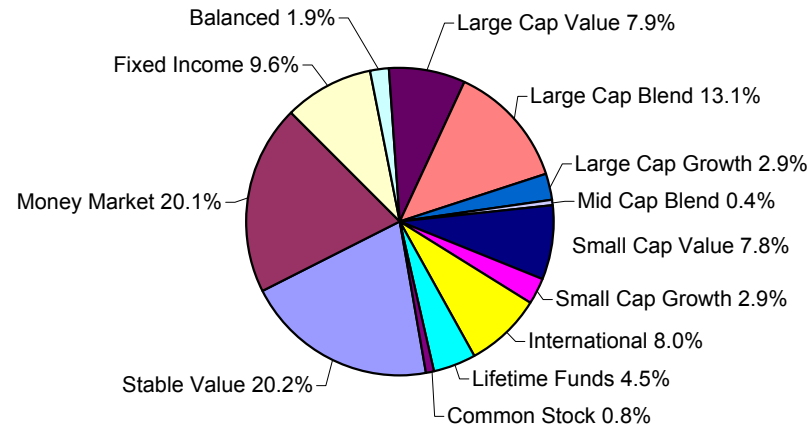
<b>Fund</b>	<b>Plan Assets</b>	<b>% of Total</b>
Principal 2 Year Guaranteed Interest Account*	\$ 1,065,059	7.2%
Principal 7 Year Guaranteed Interest Account*	\$ 1,645,043	11.1%
Principal Money Market Account	\$ 2,682,274	18.2%
Vanguard Total Bond Market Index	\$ 1,449,593	9.8%
Principal Stock Emphasis Balanced Account	\$ 292,620	2.0%
Vanguard Windsor II Fund Inv	\$ 1,263,893	8.6%
Principal Large Cap Stock Index Account	\$ 2,029,960	13.7%
Principal Large Company Growth Account	\$ 464,648	3.1%
Principal Mid Cap Stock Fund (Edge)	\$ 79,973	0.5%
Principal Small Company Value Account	\$ 1,190,923	8.1%
Vanguard Explorer Fund	\$ 441,400	3.0%
Principal Diversified International Account	\$ 1,312,128	8.9%
Principal Lifetime Strategic Income	\$ 73,511	0.5%
Principal Lifetime 2010	\$ 121,617	0.8%
Principal Lifetime 2020	\$ 270,699	1.8%
Principal Lifetime 2030	\$ 143,363	1.0%
Principal Lifetime 2040	\$ 53,459	0.4%
Principal Lifetime 2050	\$ 45,591	0.3%
Principal Common Stock Account	\$ 150,649	1.0%
<b>Total Assets</b>	<b>\$ 14,776,403</b>	<b>100.0%</b>

**Asset Allocation as of September 30, 2009**

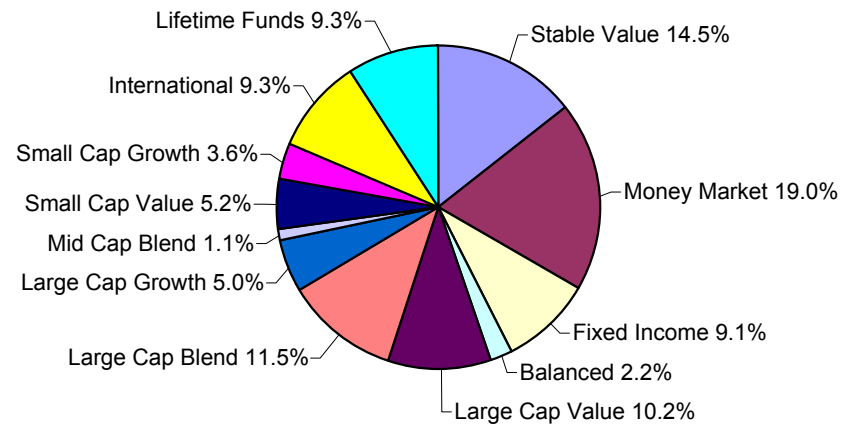


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**Asset Allocation as of July 1, 2009**

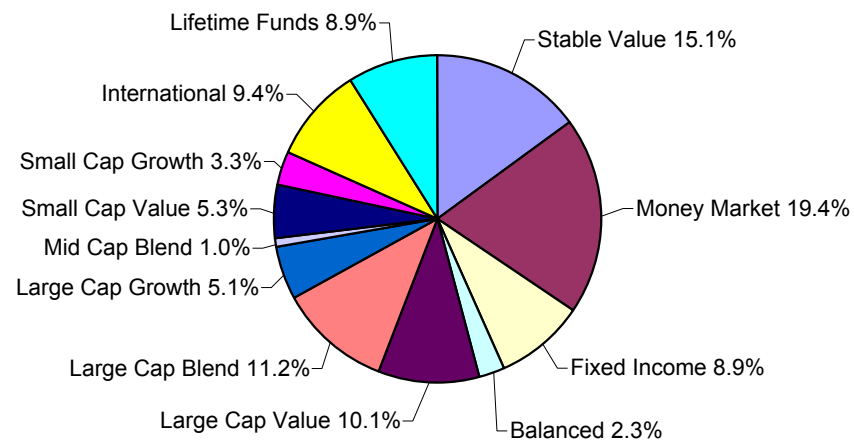


**Plan Contributions - 3rd Quarter 2009**



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**Plan Contributions - 2nd Quarter 2009**



**Performance Summary**  
**For Periods Ended September 30, 2009**

Funds	QTR (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	Expense Ratio	Morningstar Rating	Market Value
<b>Principal 2-Year Guaranteed Interest Account</b>	<b>0.20</b>	<b>0.54</b>	<b>0.35</b>	<b>N/A</b>	<b>N/A</b>	-	-	\$ 1,065,059
<b>Principal 7-Year Guaranteed Interest Account</b>	<b>1.99</b>	<b>4.14</b>	<b>3.97</b>	<b>N/A</b>	<b>N/A</b>	-	-	\$ 1,645,043
<b>Principal Money Market Account</b>	<b>0.01</b>	<b>0.19</b>	<b>0.72</b>	<b>2.88</b>	<b>3.01</b>	<b>0.56</b>	-	\$ 2,682,274
90-Day U.S. T-Bill	0.05	0.13	0.38	2.79	3.03	-	-	
<b>Vanguard Total Bond Market Index</b>	<b>3.67</b>	<b>5.86</b>	<b>10.49</b>	<b>6.42</b>	<b>5.09</b>	<b>0.22</b>	<b>★★★★</b>	\$ 1,449,593
Barclays Capital Aggregate Bond Index	3.74	5.72	10.56	6.41	5.13	-	-	
Median of the U.S. Broad Market Core Fund	5.74	11.95	12.22	5.35	4.34	-	-	
<b>Principal Stock Emphasis Balanced Account ***WATCHLIST***</b>	<b>12.13</b>	<b>12.76</b>	<b>-8.46</b>	<b>-4.07</b>	<b>2.70</b>	<b>0.78</b>	-	\$ 292,620
58.0% Russell 3000 / 30.0% Barclays Cap Agg / 12.0% MSCI EAFE Net	12.82	17.73	0.48	-1.11	3.50	-	-	
Median of the All Balanced Fund Universe	12.92	20.94	1.58	-1.09	2.90	-	-	
<b>Vanguard Windsor II Fund Inv</b>	<b>16.25</b>	<b>19.23</b>	<b>-6.55</b>	<b>-6.31</b>	<b>1.46</b>	<b>0.39</b>	<b>★★★</b>	\$ 1,263,893
Russell 1000 Value Index	18.24	14.85	-10.62	-7.87	0.90	-	-	
Median of the U.S. Equity Large Cap Value Fund Universe	16.03	16.09	-8.37	-6.98	0.66	-	-	
<b>Principal Large Cap Stock Index Account</b>	<b>15.46</b>	<b>18.98</b>	<b>-7.16</b>	<b>-5.68</b>	<b>0.74</b>	<b>0.31</b>	-	\$ 2,029,960
S&P 500 Index	15.61	19.26	-6.91	-5.43	1.02	-	-	
Median of the U.S. Equity Large Cap Core Fund Universe	15.02	20.34	-5.52	-5.04	1.10	-	-	
<b>Principal Large Company Growth Account</b>	<b>15.85</b>	<b>19.99</b>	<b>-11.16</b>	<b>-3.61</b>	<b>2.75</b>	<b>0.71</b>	-	\$ 464,648
Russell 1000 Growth Index	13.97	27.11	-1.85	-2.50	1.86	-	-	
Median of the U.S. Equity Large Cap Growth Fund Universe	13.89	25.70	-3.11	-3.06	1.41	-	-	
<b>Principal Mid Cap Stock Fund * ***WATCHLIST***</b>	<b>20.81</b>	<b>22.87</b>	<b>-3.88</b>	<b>-5.15</b>	<b>N/A</b>	<b>1.33</b>	<b>★★★</b>	\$ 79,973
S&P Mid Cap 400 Index	19.98	30.14	-3.11	-1.40	4.53	-	-	
Median of the U.S. Equity Mid Cap Core Fund Universe	18.49	28.01	-4.06	-3.66	2.98	-	-	
<b>Principal Small Company Value Account</b>	<b>13.96</b>	<b>7.41</b>	<b>-17.41</b>	<b>-8.19</b>	<b>1.04</b>	<b>0.91</b>	-	\$ 1,190,923
Russell 2000 Value Index	22.70	16.36	-12.06	-6.65	1.78	-	-	
Median of the U.S. Equity Small Cap Value Fund Universe	20.91	25.20	-7.26	-5.11	2.39	-	-	
<b>Vanguard Explorer Fund</b>	<b>17.62</b>	<b>30.23</b>	<b>-3.83</b>	<b>-4.39</b>	<b>2.24</b>	<b>0.51</b>	<b>★★★★</b>	\$ 441,400
Russell 2000 Growth Index	15.95	29.12	-6.32	-2.60	2.91	-	-	
Median of the U.S. Equity Small Cap Growth Fund Universe	16.34	28.84	-6.04	-3.59	1.95	-	-	
<b>Principal Diversified International Stock Account</b>	<b>17.64</b>	<b>22.64</b>	<b>-4.29</b>	<b>-4.82</b>	<b>7.29</b>	<b>1.06</b>	-	\$ 1,312,128
MSCI Net EAFE	19.47	28.97	3.23	-3.60	6.07	-	-	
Median of the International Equity Large Cap Core	18.59	26.27	0.46	-3.89	5.57	-	-	

**Performance Summary**  
**For Periods Ended September 30, 2009**

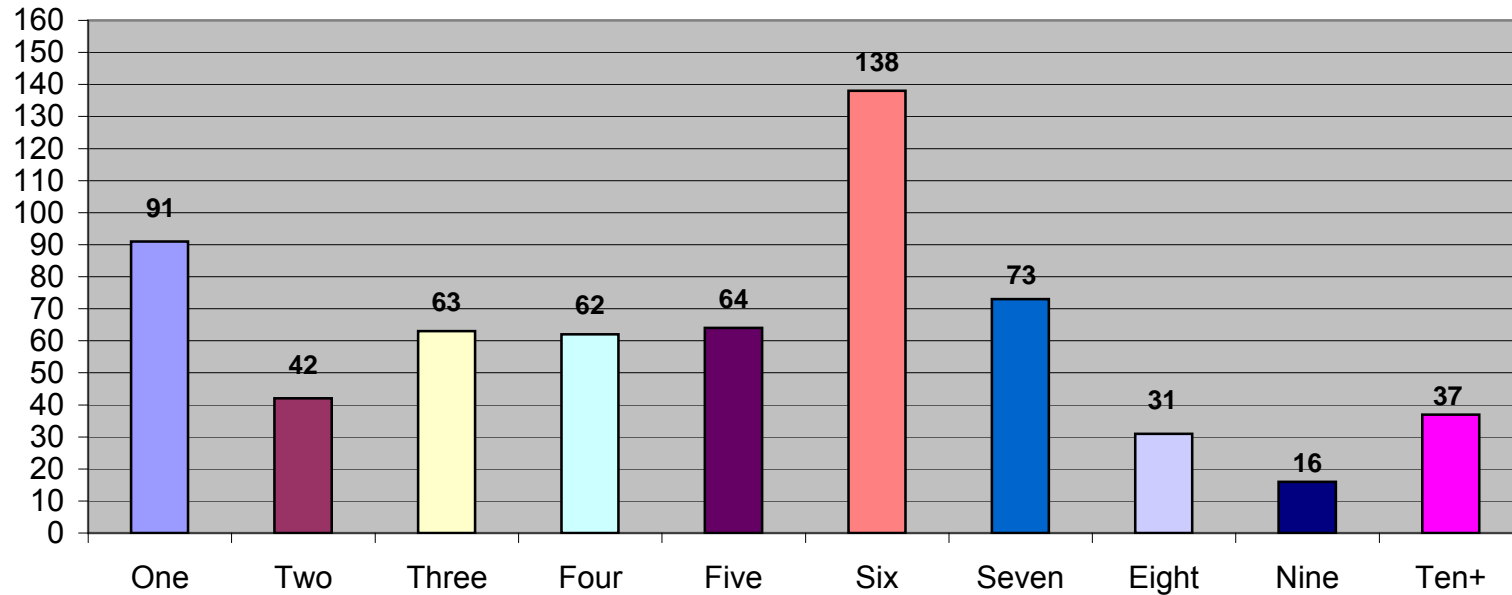
Funds	QTR (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	Expense Ratio	Morningstar Rating	Market Value
<b>Principal Lifetime Strategic Income</b> ***WATCHLIST***	<b>9.81</b>	<b>15.07</b>	<b>2.07</b>	<b>-2.22</b>	<b>1.64</b>	<b>0.76</b>	-	<b>\$ 73,511</b>
75.0% Barclays Cap Agg / 19.0% Russell 3000 / 6.0% MSCI EAFE Net	6.98	10.24	7.53	3.93	4.79	-	-	
<b>Principal Lifetime 2010</b> ***WATCHLIST***	<b>13.62</b>	<b>19.95</b>	<b>0.40</b>	<b>-3.28</b>	<b>1.72</b>	<b>0.86</b>	-	<b>\$ 121,617</b>
43.0% Barclays Cap Agg / 41.9% Russell 3000 / 15.1% MSCI EAFE Net	11.26	15.98	3.16	0.50	4.16	-	-	
<b>Principal Lifetime 2020</b> ***WATCHLIST***	<b>15.06</b>	<b>21.84</b>	<b>-0.54</b>	<b>-3.60</b>	<b>2.35</b>	<b>0.92</b>	-	<b>\$ 270,699</b>
51.1% Russell 3000 / 29.5% Barclays Cap Agg / 19.4% MSCI EAFE Net	13.11	18.38	1.16	-1.03	3.83	-	-	
<b>Principal Lifetime 2030</b> ***WATCHLIST***	<b>16.00</b>	<b>22.77</b>	<b>-1.75</b>	<b>-4.11</b>	<b>2.35</b>	<b>0.95</b>	-	<b>\$ 143,363</b>
57.3% Russell 3000 / 22.5% MSCI EAFE Net / 20.2% Barclays Cap Agg	14.40	20.01	-0.28	-2.11	3.58	-	-	
<b>Principal Lifetime 2040</b> ***WATCHLIST***	<b>16.52</b>	<b>23.29</b>	<b>-3.03</b>	<b>-4.58</b>	<b>2.22</b>	<b>0.97</b>	-	<b>\$ 53,459</b>
61.8% Russell 3000 / 24.7% MSCI EAFE Net / 13.5% Barclays Cap Agg	15.33	21.17	-1.36	-2.91	3.38	-	-	
<b>Principal Lifetime 2050</b> ***WATCHLIST***	<b>16.90</b>	<b>23.44</b>	<b>-3.73</b>	<b>-4.87</b>	<b>2.26</b>	<b>1.00</b>	-	<b>\$ 45,591</b>
64.2% Russell 3000 / 25.8% MSCI EAFE Net / 10.0% Barclays Cap Agg	15.82	21.77	-1.94	-3.33	3.26	-	-	

\* Principal Mid Cap Stock Fund will be replaced with the Principal Midcap S&P 400 Index Separate Account on October 23, 2009

**Participant Counts  
as of September 30, 2009**

<b>Fund</b>	<b>Number of Participants per Fund</b>	<b>Number of One-Funders</b>
Principal 2 Year Guaranteed Interest Account*	156	23
Principal 7 Year Guaranteed Interest Account*	198	2
Principal Money Market Account	318	43
Principal Bond & Mortgage Account	280	1
Principal Stock Emphasis Balanced Account	95	-
Vanguard Windsor II Fund Inv	313	3
Principal Large Cap Stock Index Account	369	-
Principal Large Company Growth Account	220	1
Principal Mid Cap Stock Fund (Edge)	47	-
Principal Small Company Value Account	222	-
Vanguard Explorer Fund	186	-
Principal Diversified International Account	318	1
Principal Lifetime Strategic Income	23	1
Principal Lifetime 2010	27	-
Principal Lifetime 2020	33	4
Principal Lifetime 2030	29	6
Principal Lifetime 2040	27	5
Principal Lifetime 2050	20	1
Principal Common Stock Account	187	-

**Principal Investment Diversification as of September 30, 2009**



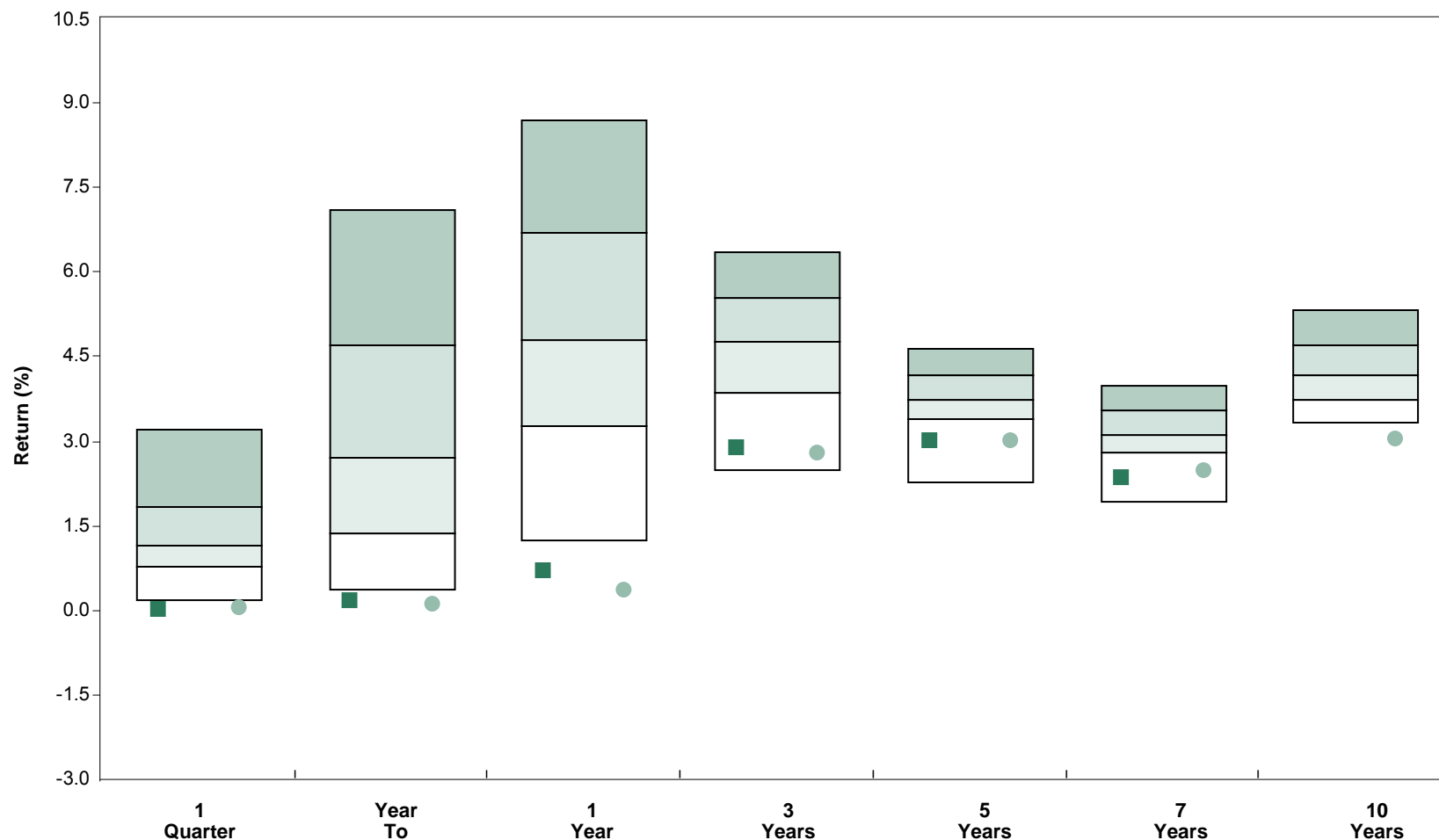
Number of Funds	Number of Participants	Percent
One	91	14.7%
Two	42	6.8%
Three	63	10.2%
Four	62	10.0%
Five	64	10.4%
Six	138	22.4%
Seven	73	11.8%
Eight	31	5.0%
Nine	16	2.6%
Ten+	37	6.0%
		<b>100%</b>

Average Number of funds being used in the Plan	5
Average Account Balance	\$23,840
Total Participants in Plan	617



# Principal Money Market Account

## Peer Group Analysis - US Cash/Short Duration Fixed Income (SA+CF+MF)



■ Principal Money Market Account  
● 90 Day U.S. Treasury Bill

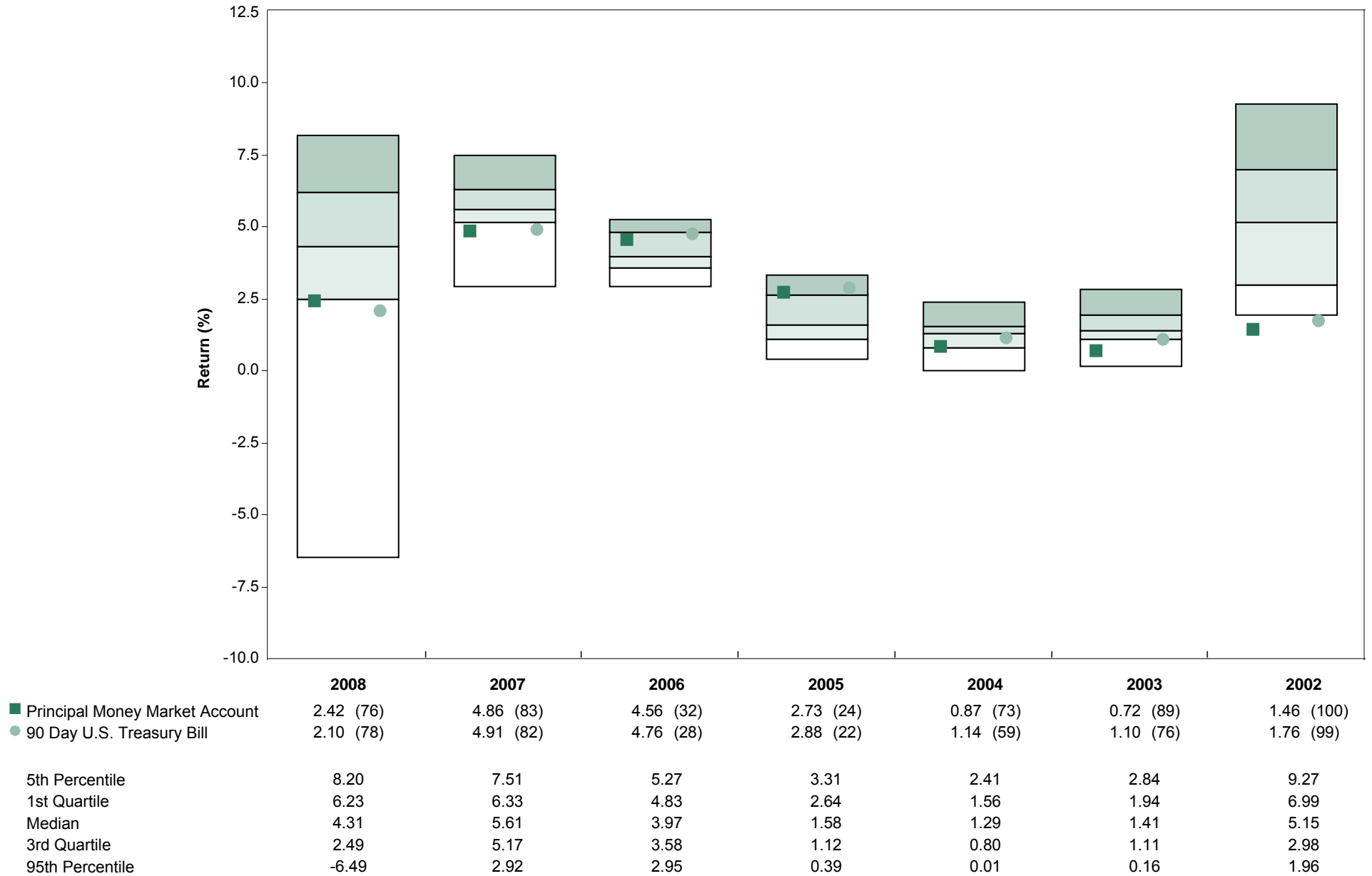
5th Percentile  
1st Quartile  
Median  
3rd Quartile  
95th Percentile

1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
0.01 (100)	0.19 (97)	0.72 (98)	2.88 (91)	3.01 (86)	2.37 (89)	N/A
0.05 (100)	0.13 (98)	0.38 (100)	2.79 (92)	3.03 (86)	2.48 (87)	3.04 (97)
3.20	7.09	8.69	6.37	4.65	3.98	5.33
1.83	4.70	6.70	5.53	4.18	3.54	4.70
1.14	2.71	4.79	4.75	3.74	3.12	4.18
0.77	1.36	3.28	3.85	3.39	2.81	3.75
0.18	0.37	1.24	2.50	2.27	1.93	3.33

# Principal Money Market Account

City of Rockville  
September 30, 2009

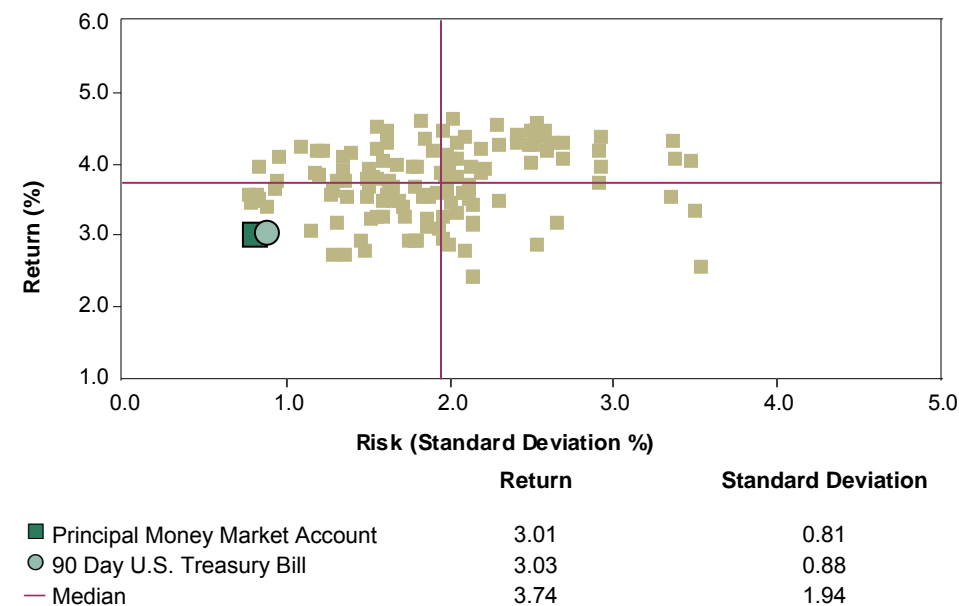
## Peer Group Analysis - US Cash/Short Duration Fixed Income (SA+CF+MF)



## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Money Market Account	3.01	0.81	-0.08	0.31	0.89	0.93	0.24	-0.08	0.24	01/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	0.00	1.00	1.00	0.00	N/A	0.00	01/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	0.00	1.00	1.00	0.00	N/A	0.00	01/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



\* Quarterly periodicity used.

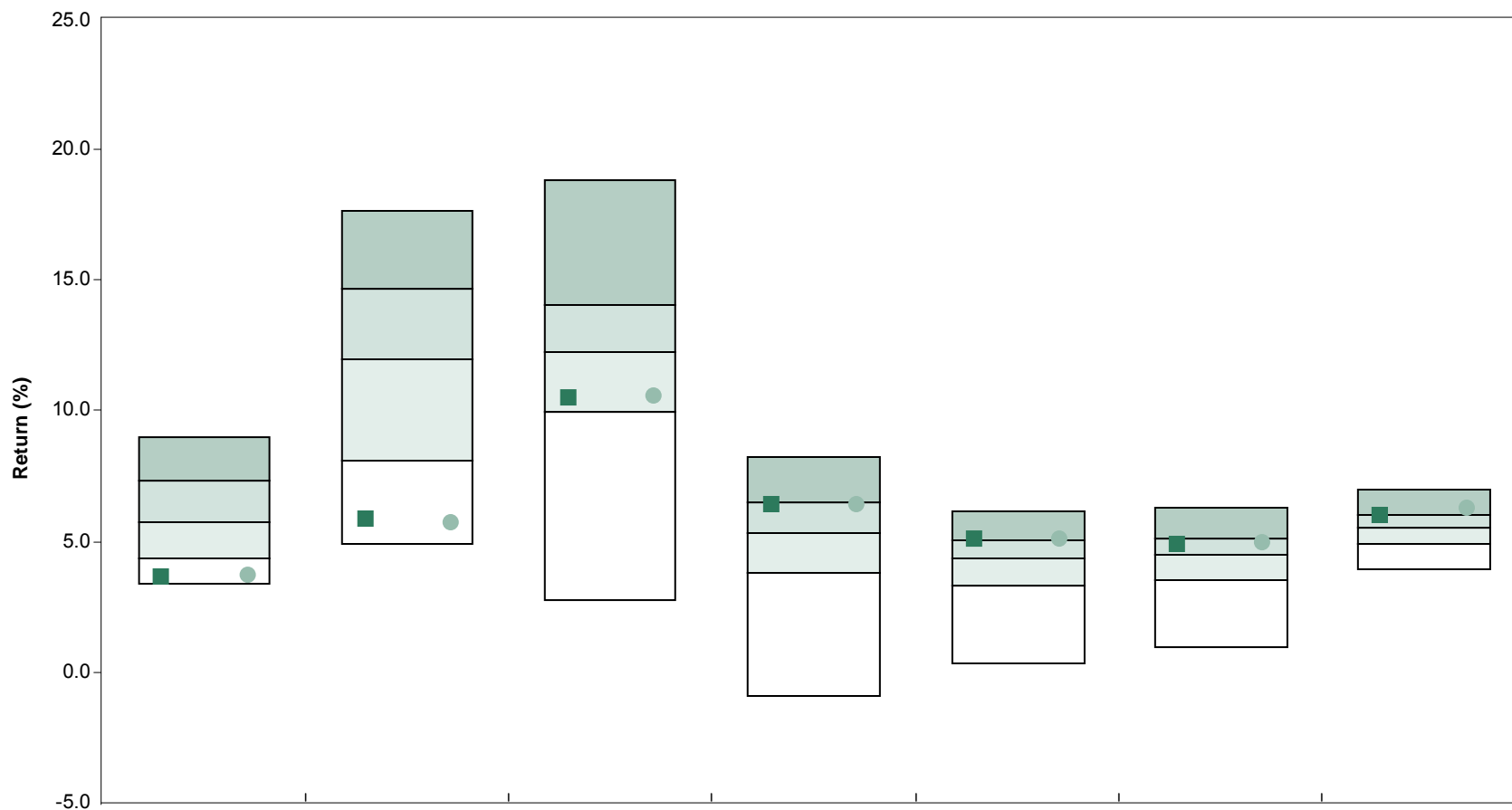
## Up Down Market Capture

Not enough data.

# Vanguard Total Bond Market

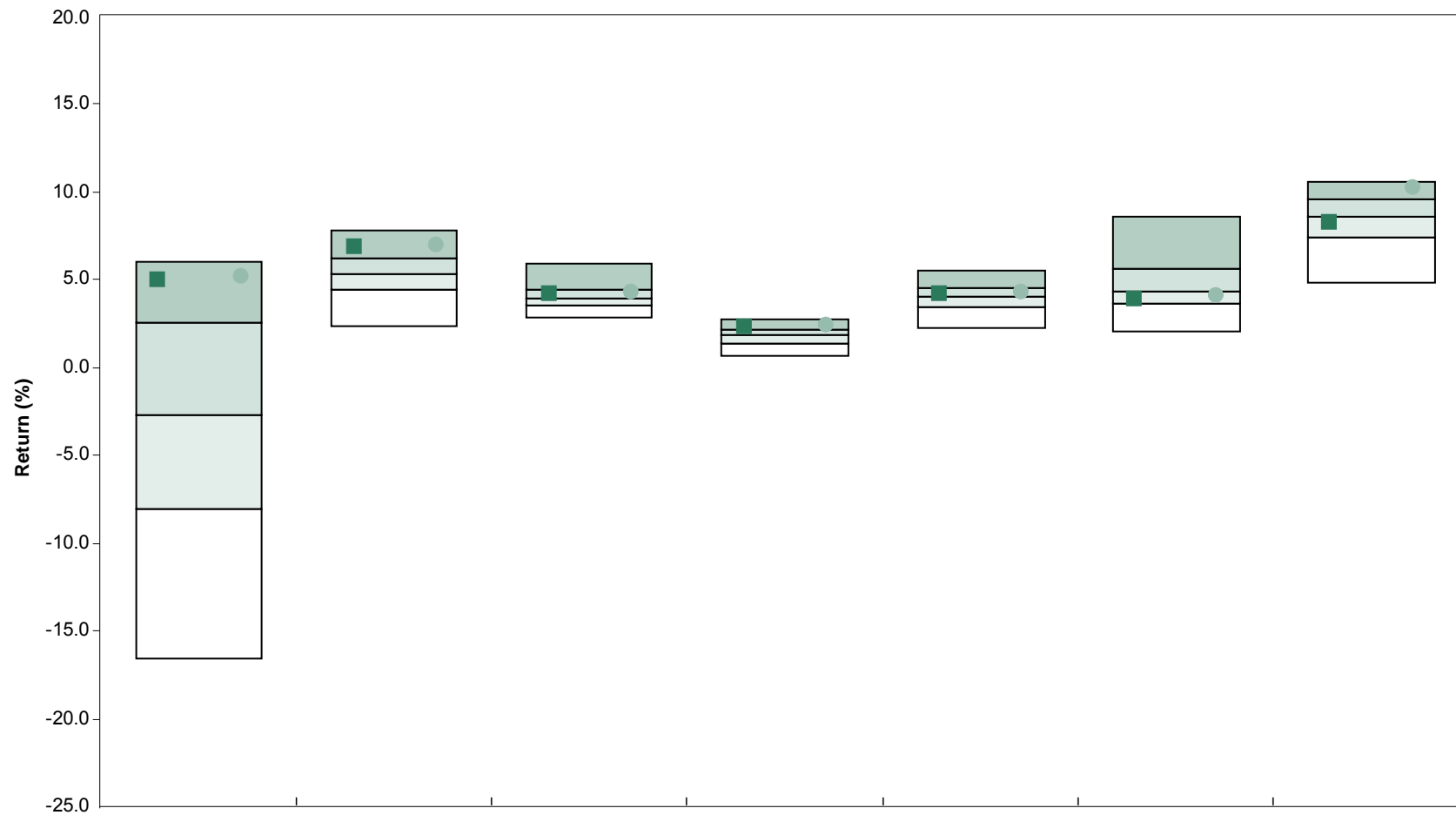
City of Rockville  
September 30, 2009

## Peer Group Analysis - US Broad Market Core Funds (MF)



■ Vanguard Total Bond Market	3.67 (89)	5.86 (89)	10.49 (68)	6.42 (27)	5.09 (25)	4.88 (33)	6.04 (25)
● Barclays Capital Aggregate	3.74 (88)	5.72 (91)	10.56 (67)	6.41 (28)	5.13 (22)	4.96 (29)	6.30 (12)
5th Percentile	9.01	17.64	18.84	8.22	6.18	6.26	6.97
1st Quartile	7.35	14.64	14.02	6.50	5.06	5.08	6.04
Median	5.74	11.95	12.22	5.35	4.34	4.47	5.51
3rd Quartile	4.38	8.07	9.99	3.83	3.28	3.54	4.93
95th Percentile	3.38	4.92	2.78	-0.93	0.30	0.95	3.92

## Peer Group Analysis - US Broad Market Core Funds (MF)



■ Vanguard Total Bond Market  
● Barclays Capital Aggregate

5th Percentile	5.98	7.78	5.92	2.75	5.51	8.56	10.56
1st Quartile	2.54	6.27	4.40	2.20	4.54	5.65	9.57
Median	-2.70	5.37	3.93	1.82	4.02	4.35	8.58
3rd Quartile	-8.02	4.40	3.50	1.36	3.43	3.67	7.45
95th Percentile	-16.62	2.35	2.84	0.65	2.21	2.07	4.85

## Vanguard Total Bond Market

### Fund Information

Fund Name Vanguard Bond Index Funds: Vanguard Total Bond Market Index Fund; Investor Shares  
Fund Family Vanguard Group Inc  
Ticker VBMTX  
Inception Date 12/11/1986

Portfolio Assets \$63,566.7 Million  
Portfolio Manager Volpert/Davis  
PM Tenure 1992--2008  
Fund Style US Broad Market Core Funds (MF)  
Style Benchmark Barclays Capital Aggregate  
Portfolio Turnover 61%

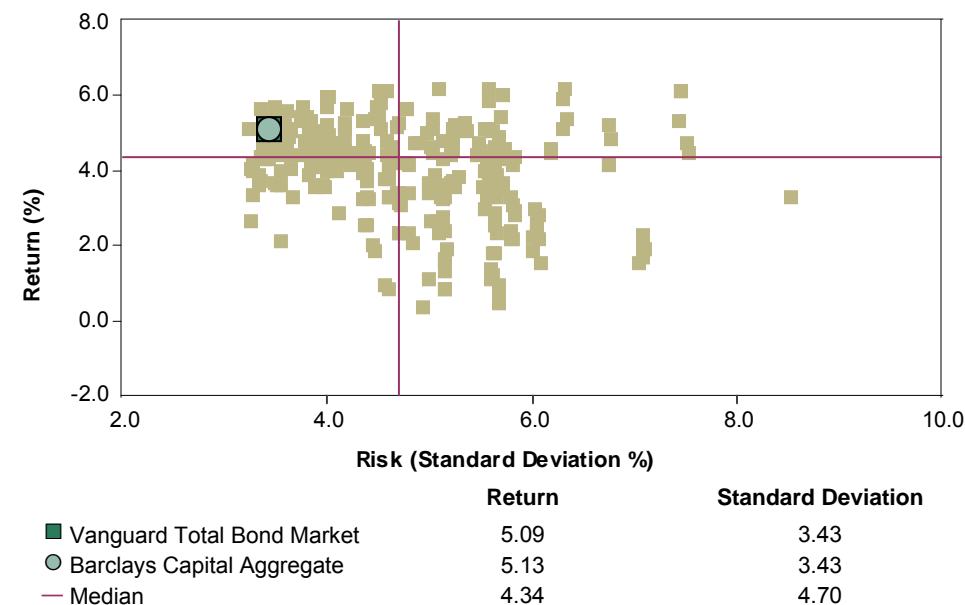
### Fund Investment Policy

The Fund seeks to generate returns that track the performance of the Barclays Capital Aggregate Bond Index, and will maintain a dollar-weighted average maturity consistent with that of the index. The Index measures investment-grade, taxable fixed income securities in the U.S.

### Historical Statistics (10/01/04 - 09/30/09) \*

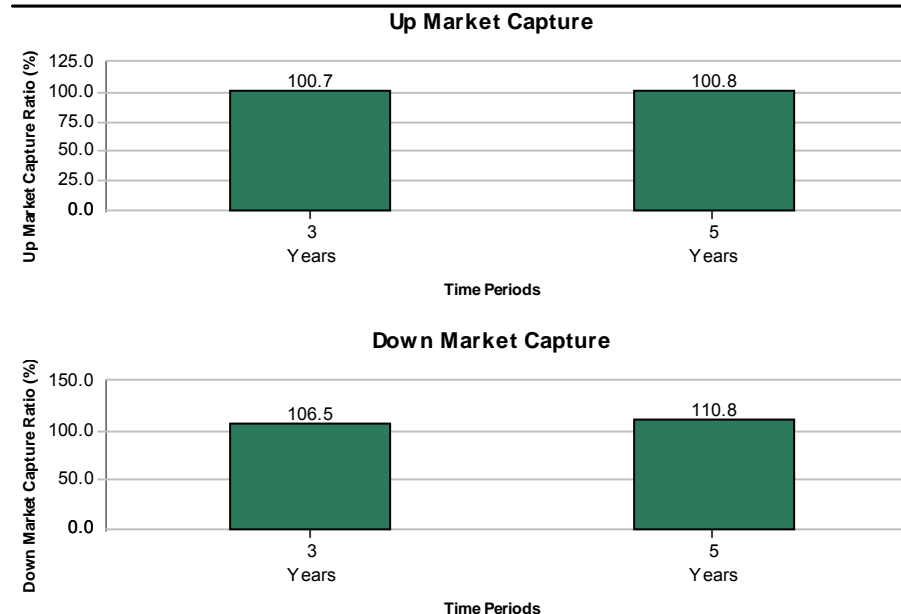
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Vanguard Total Bond Market	5.09	3.43	0.58	-0.03	1.00	1.00	0.20	-0.19	3.56	01/01/1987
Barclays Capital Aggregate	5.13	3.43	0.59	0.00	1.00	1.00	0.00	N/A	3.56	01/01/1987
90 Day U.S. Treasury Bill	3.03	0.88	N/A	3.03	-0.01	0.00	3.56	-0.59	0.00	01/01/1987

### Peer Group Scattergram (10/01/04 to 09/30/09)



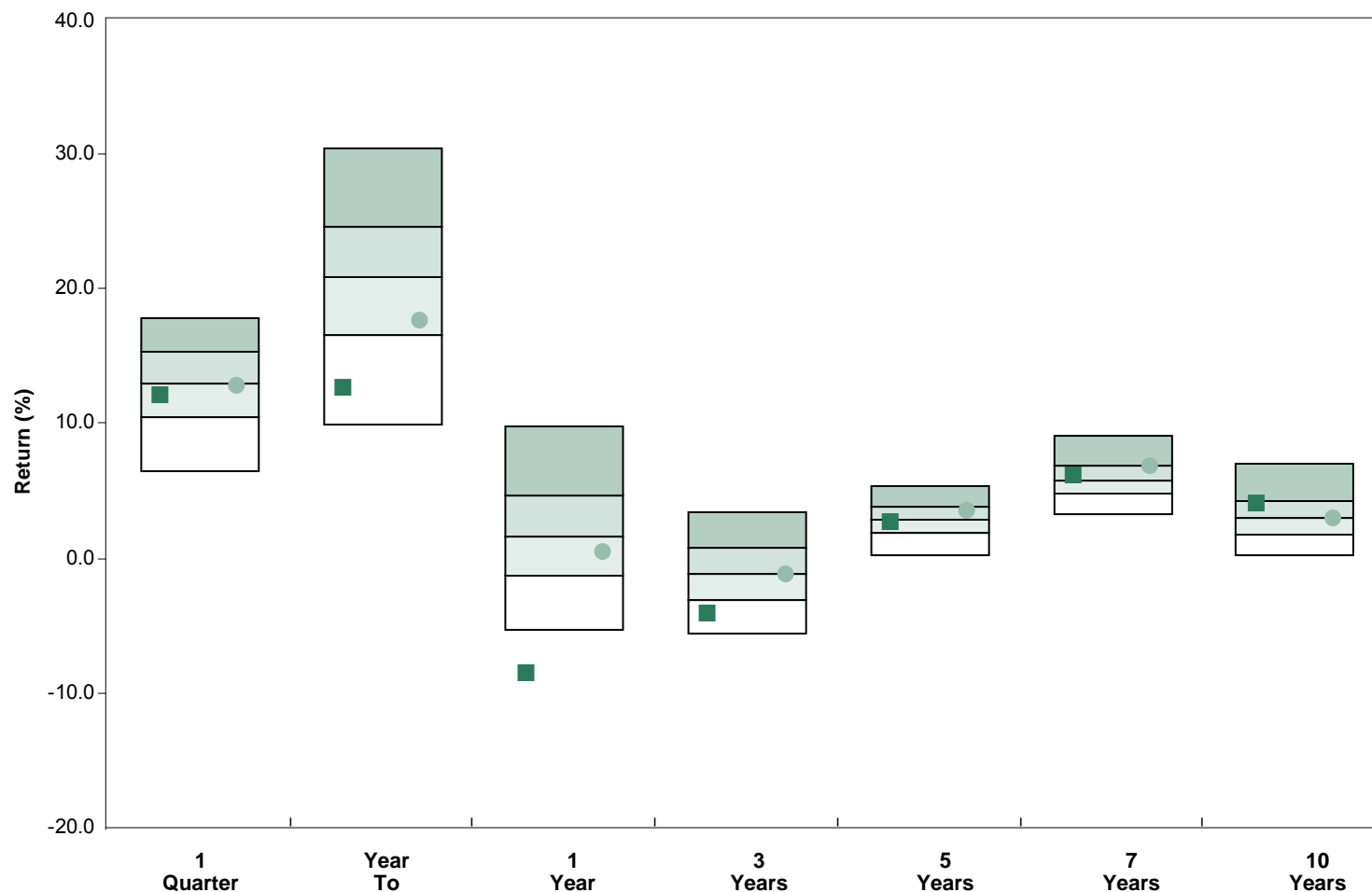
\* Quarterly periodicity used.

### Up Down Market Capture



# Principal Stock Emph Bal Acct

## Peer Group Analysis - All Balanced Funds (MF)



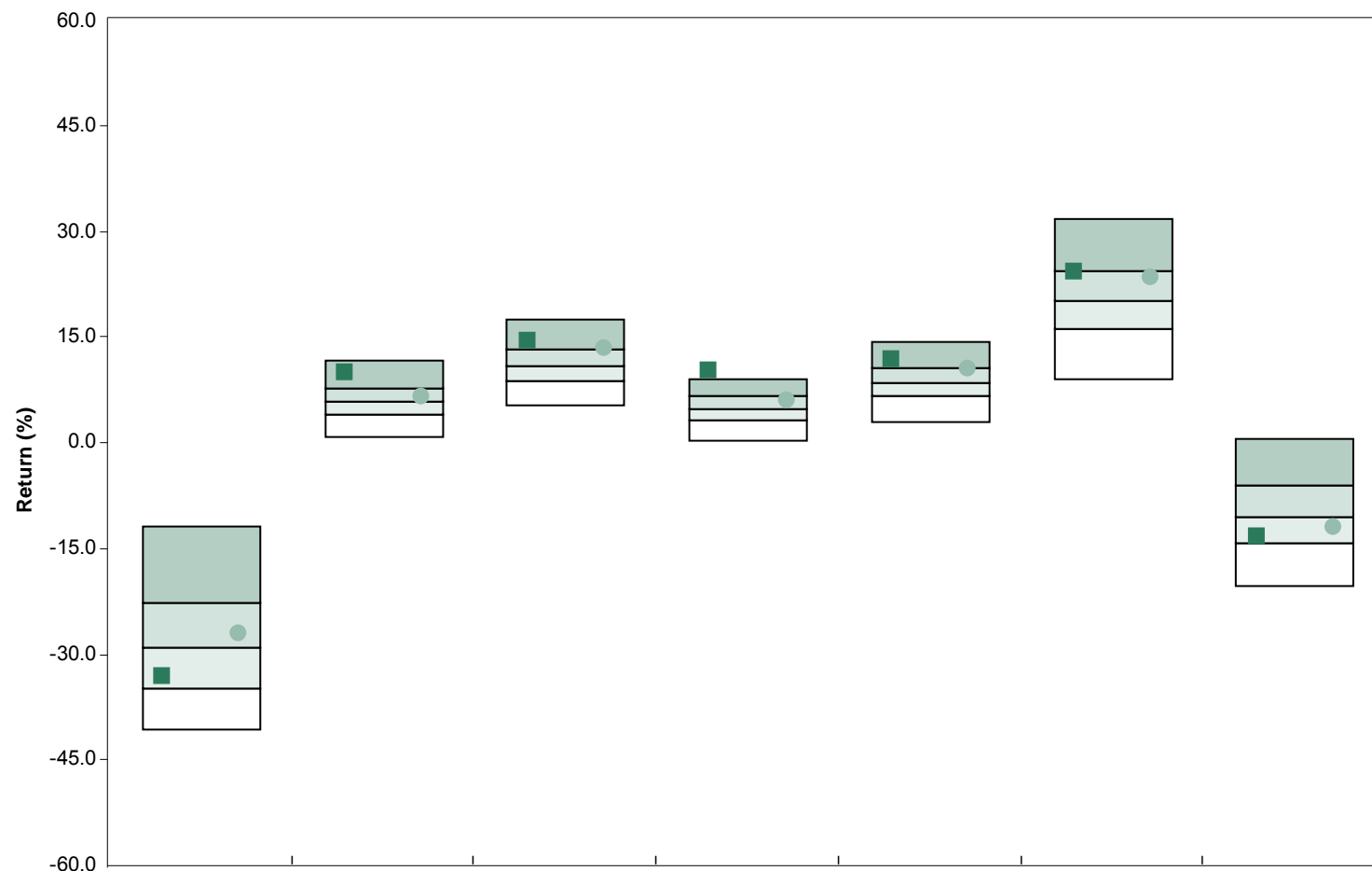
■ Principal Stock Emph Bal Acct

● 58% R3000 / 30% LBAgg / 12% MSCI Net EAFE

5th Percentile	17.77	30.39	9.82	3.48	5.39	9.08	6.99
1st Quartile	15.30	24.61	4.63	0.74	3.81	6.91	4.23
Median	12.92	20.94	1.58	-1.09	2.90	5.76	2.94
3rd Quartile	10.51	16.58	-1.35	-3.15	1.86	4.75	1.71
95th Percentile	6.46	9.94	-5.24	-5.53	0.19	3.30	0.17

# Principal Stock Emph Bal Acct

## Peer Group Analysis - All Balanced Funds (MF)



■ Principal Stock Emph Bal Acct

● 58% R3000 / 30% LBAG / 12% MSCI Net EAFE

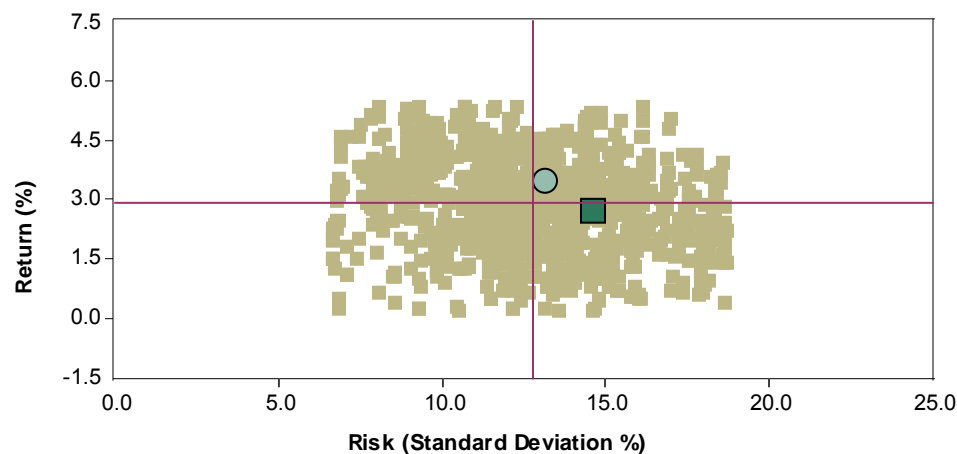
5th Percentile	-11.81	11.57	17.53	9.05	14.16	31.71	0.62
1st Quartile	-22.84	7.77	13.23	6.52	10.69	24.20	-6.20
Median	-28.96	5.95	10.90	4.64	8.54	20.22	-10.49
3rd Quartile	-34.89	4.10	8.65	3.13	6.51	16.19	-14.39
95th Percentile	-40.77	0.81	5.34	0.37	3.00	9.03	-20.32



## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Stock Emph Bal Acct	2.70	14.63	0.06	-0.89	1.08	0.95	3.39	-0.16	14.54	10/01/1998
58% R3000 / 30% LBAG / 12% MSCI Net EAFE	3.50	13.17	0.10	0.00	1.00	1.00	0.00	N/A	13.15	10/01/1998
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	13.15	-0.10	0.00	10/01/1998

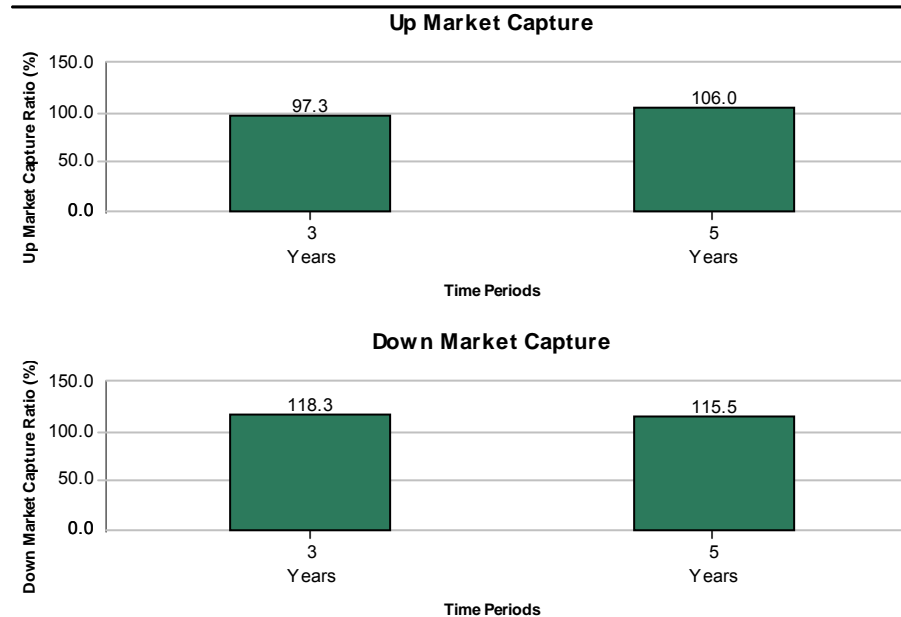
## Peer Group Scattergram (10/01/04 to 09/30/09)



	Return	Standard Deviation
Principal Stock Emph Bal Acct	2.70	14.63
58% R3000 / 30% LBAG / 12% MSCI Net EAFE	3.50	13.17
Median	2.90	12.77

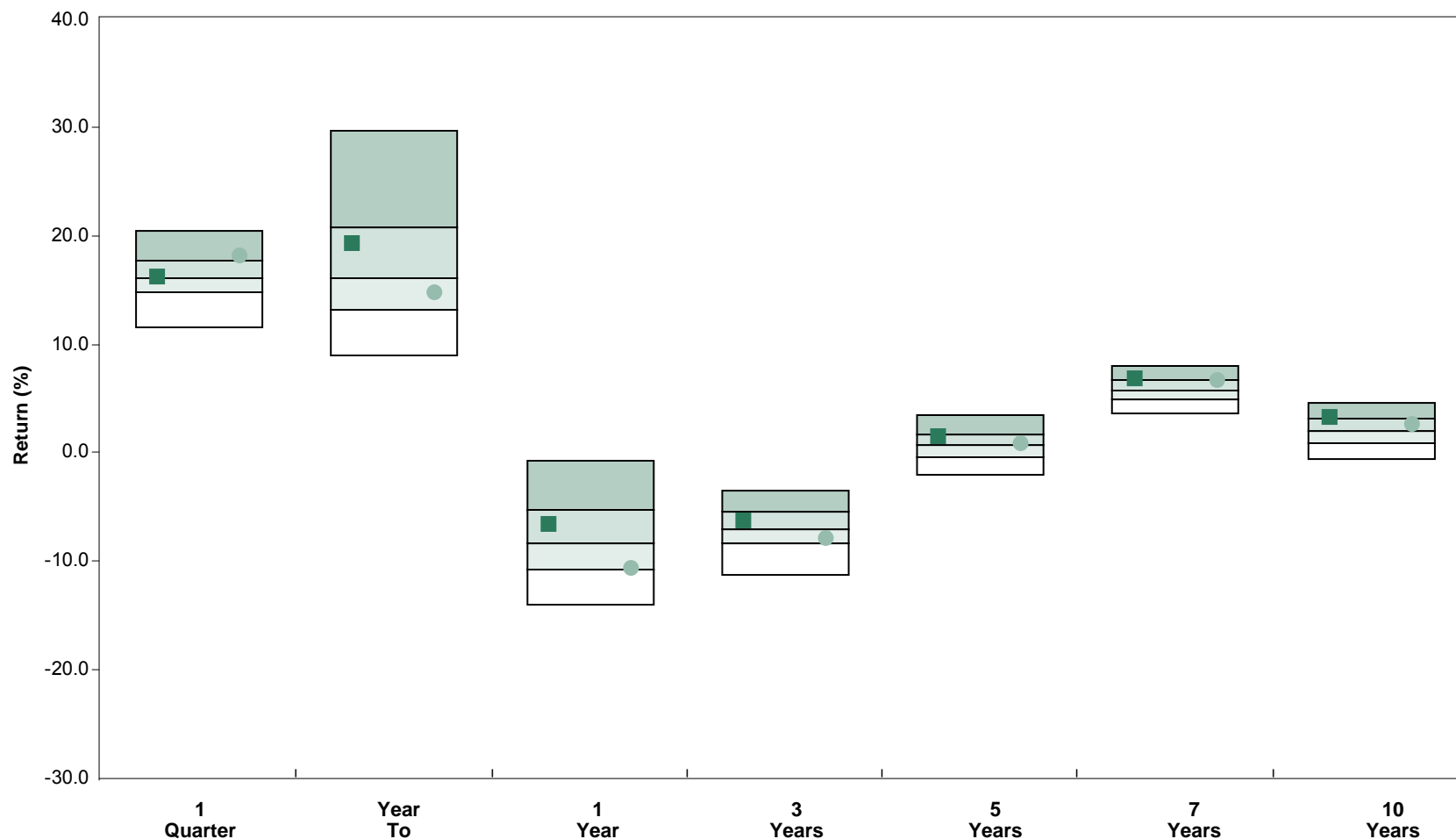
\* Quarterly periodicity used.

## Up Down Market Capture



# Vanguard Windsor II Fund Inv

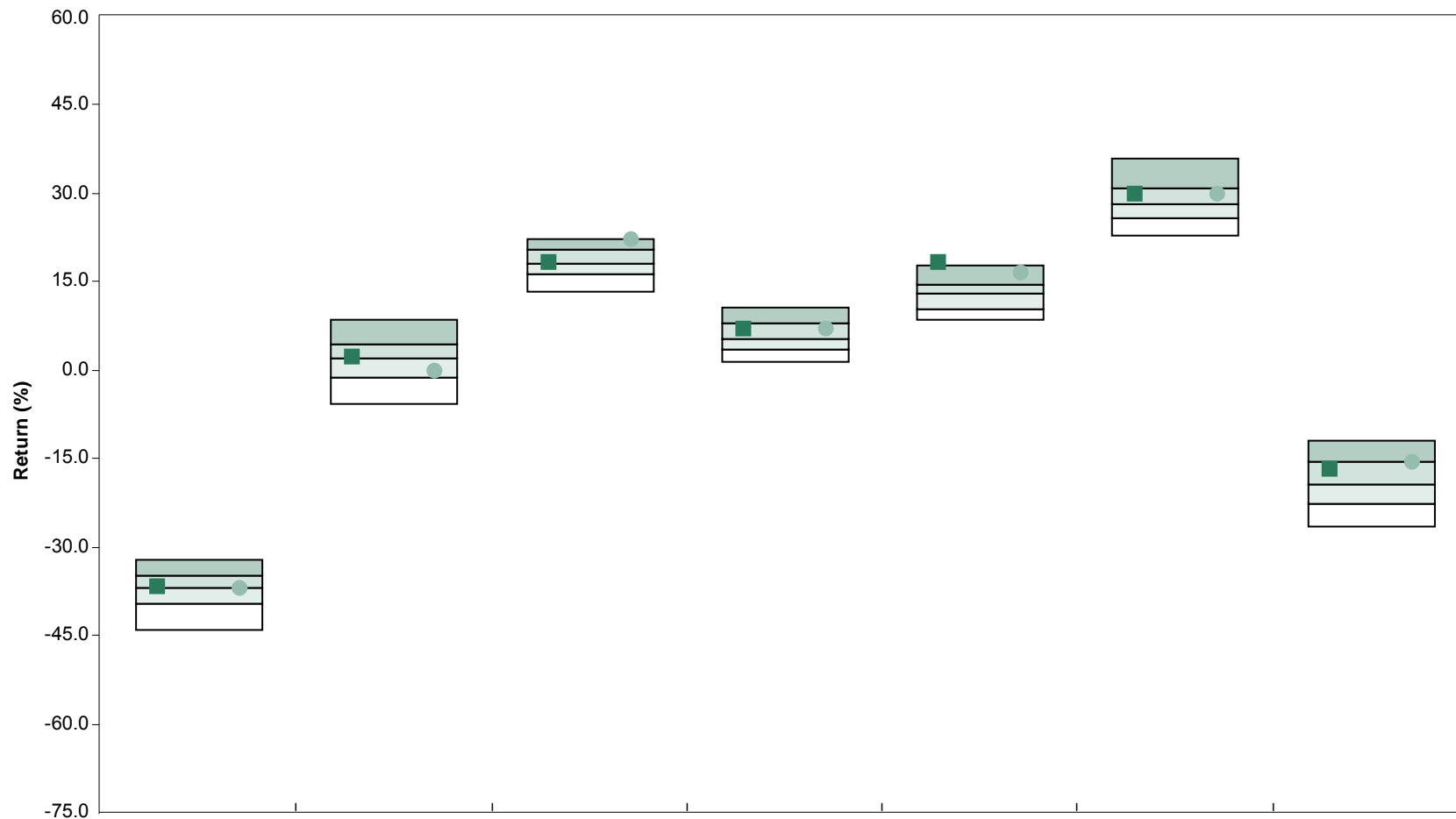
## Peer Group Analysis - US Equity Large-Cap Value Funds (MF)



■ Vanguard Windsor II Fund Inv  
● Russell 1000 Value Index

5th Percentile	20.45	29.66	-0.66	-3.45	3.49	7.94	4.60
1st Quartile	17.61	20.71	-5.32	-5.39	1.73	6.70	3.11
Median	16.03	16.09	-8.37	-6.98	0.66	5.79	2.00
3rd Quartile	14.71	13.09	-10.71	-8.28	-0.42	4.95	0.94
95th Percentile	11.47	8.99	-13.92	-11.19	-1.96	3.64	-0.57

Peer Group Analysis - US Equity Large-Cap Value Funds (MF)



■ Vanguard Windsor II Fund Inv  
● Russell 1000 Value Index

	2008	2007	2006	2005	2004	2003	2002
Vanguard Windsor II Fund Inv	-36.70 (50)	2.23 (49)	18.25 (50)	7.01 (32)	18.31 (4)	30.08 (32)	-16.86 (36)
Russell 1000 Value Index	-36.85 (51)	-0.17 (67)	22.25 (6)	7.05 (32)	16.49 (10)	30.03 (33)	-15.52 (25)
5th Percentile	-32.21	8.59	22.27	10.65	17.67	35.78	-11.87
1st Quartile	-34.81	4.50	20.32	8.08	14.63	30.86	-15.53
Median	-36.84	1.94	18.22	5.16	12.98	28.05	-19.29
3rd Quartile	-39.70	-1.38	16.21	3.55	10.43	25.73	-22.73
95th Percentile	-44.02	-5.70	13.41	1.41	8.47	22.86	-26.59

## Vanguard Windsor II Fund Inv

### Fund Information

Fund Name Vanguard/Windsor Funds, Inc: Vanguard Windsor II Fund;  
Investor Shares  
Fund Family Vanguard Group Inc  
Ticker VWNFX  
Inception Date 06/24/1985

Portfolio Assets \$33,320.3 Million  
Portfolio Manager Team Managed  
PM Tenure  
Fund Style US Equity Large-Cap Value Funds (MF)  
Style Benchmark Russell 1000 Value Index  
Portfolio Turnover 37%

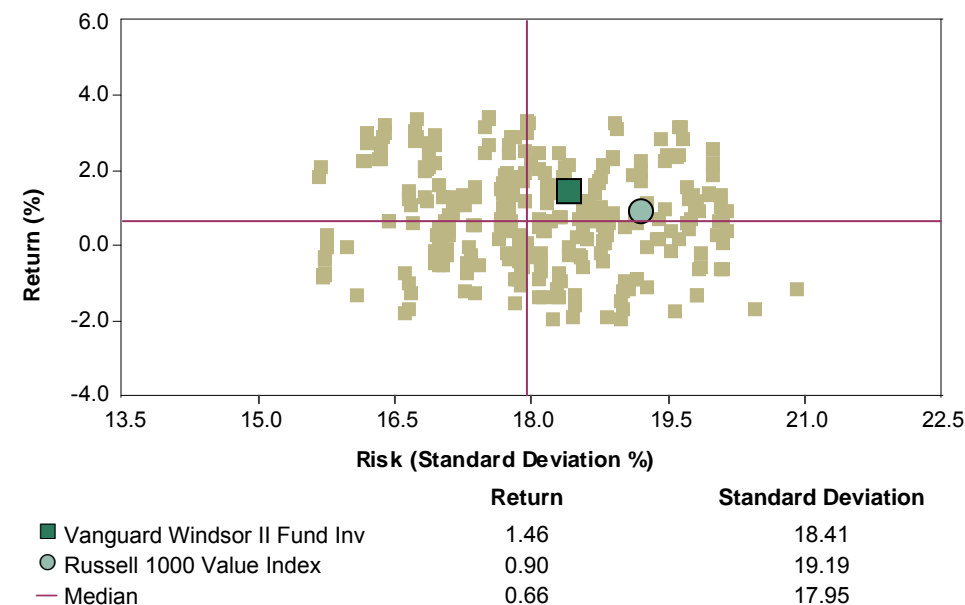
### Fund Investment Policy

The Fund seeks long-term growth of capital and income. The Fund invests mainly in large- and mid-capitalization companies whose stocks are considered to be undervalued. Undervalued stocks generally trade at prices that are below average in relation to such measures as earnings and book value.

### Historical Statistics (10/01/04 - 09/30/09) \*

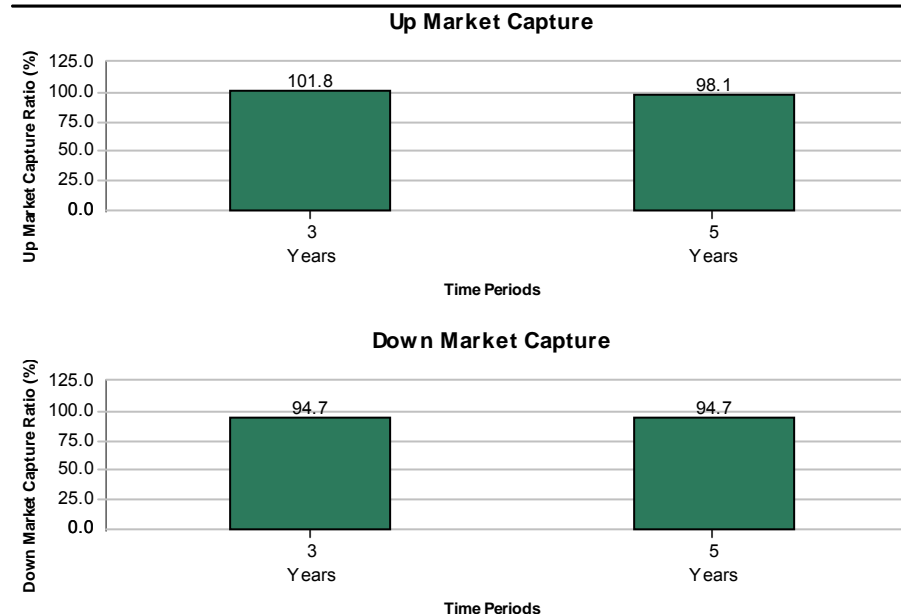
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Vanguard Windsor II Fund Inv	1.46	18.41	0.01	0.54	0.95	0.97	3.10	0.13	18.39	07/01/1985
Russell 1000 Value Index	0.90	19.19	-0.01	0.00	1.00	1.00	0.00	N/A	19.13	07/01/1985
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.01	19.13	0.01	0.00	07/01/1985

### Peer Group Scattergram (10/01/04 to 09/30/09)



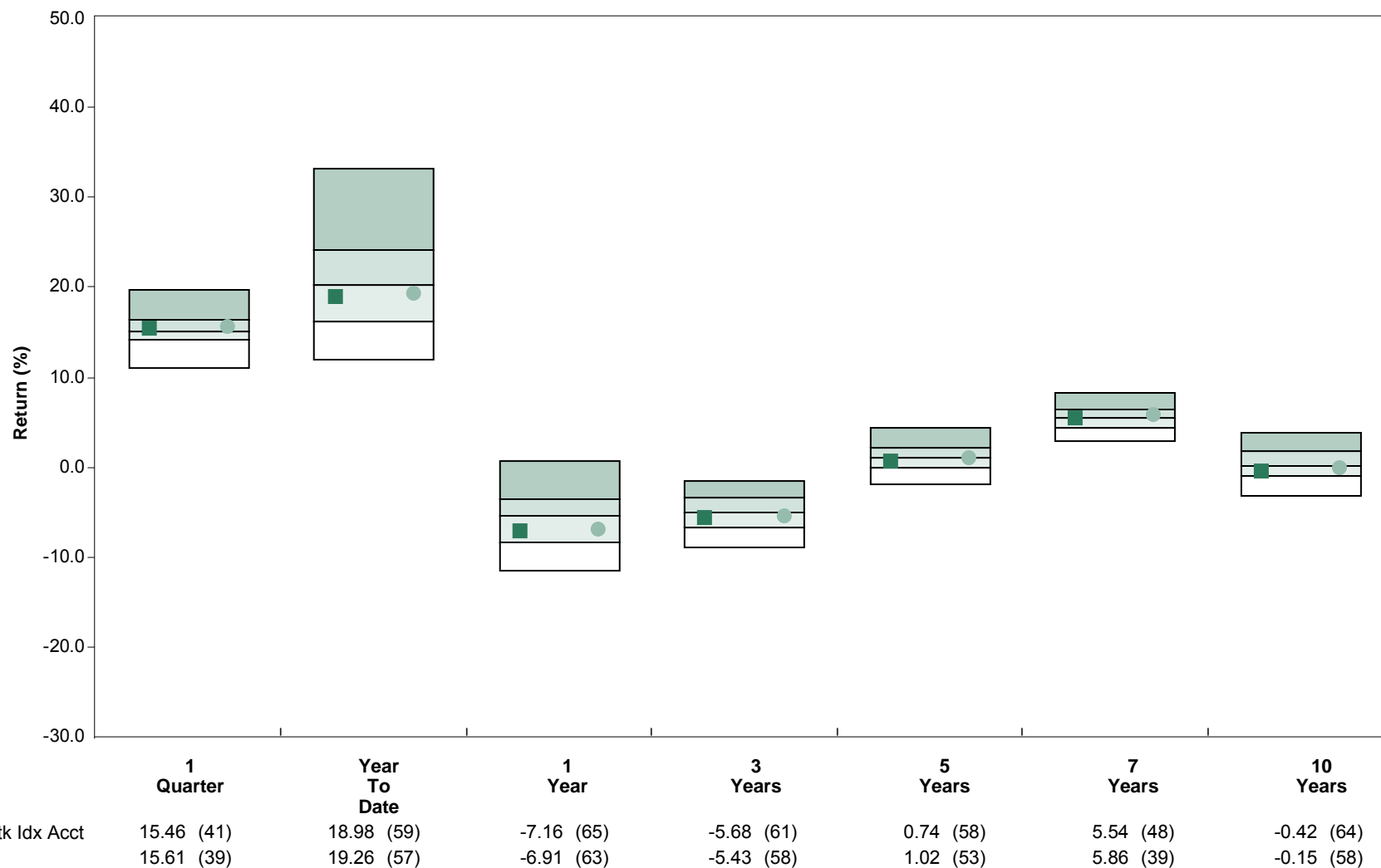
\* Quarterly periodicity used.

### Up Down Market Capture



# Principal Lrg Cap Stk Idx Acct

## Peer Group Analysis - US Equity Large-Cap Core Funds (MF)



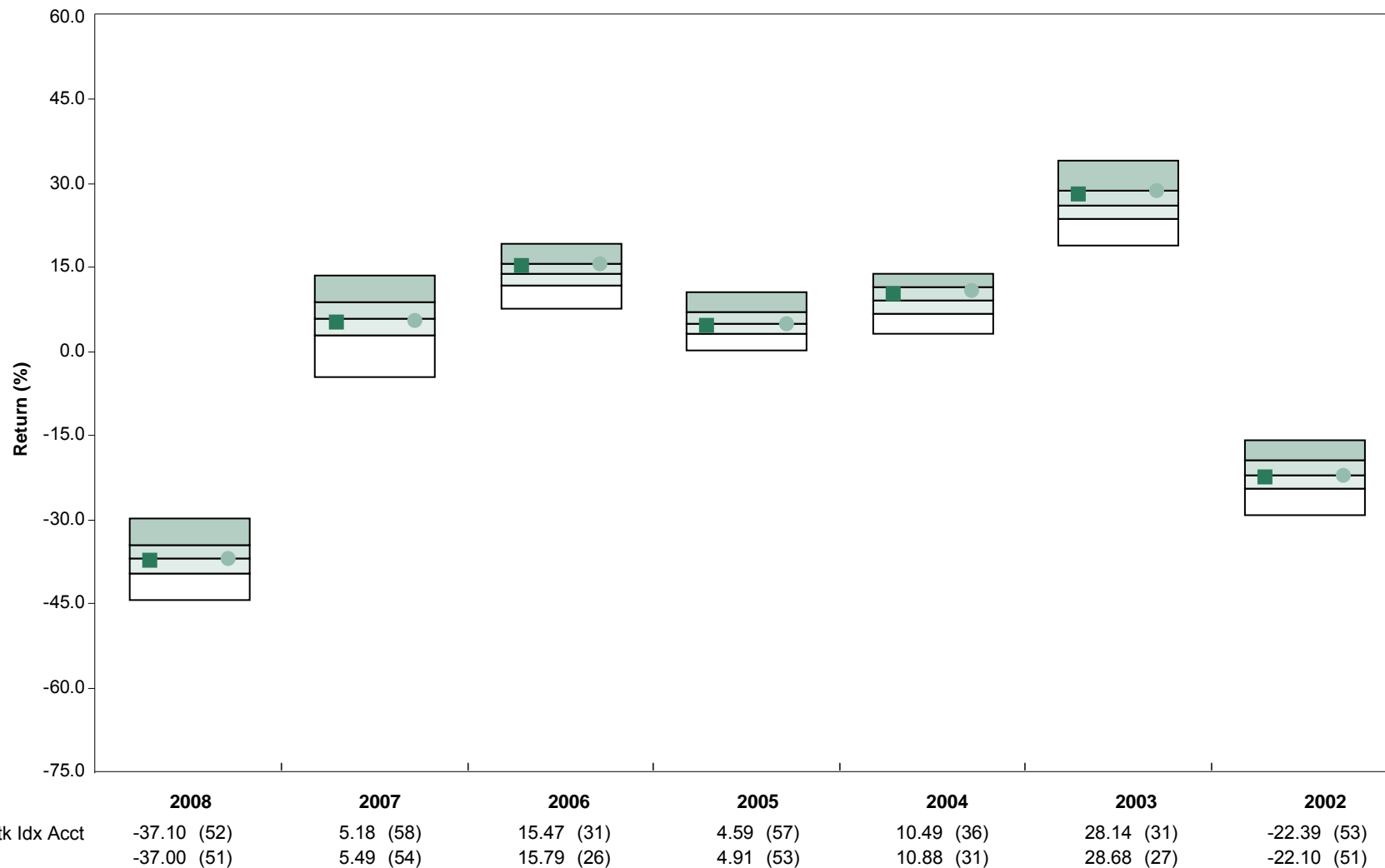
5th Percentile  
1st Quartile  
Median  
3rd Quartile  
95th Percentile

19.70	33.27	0.62	-1.54	4.42	8.25	3.77
16.46	24.21	-3.51	-3.35	2.17	6.42	1.81
15.02	20.34	-5.52	-5.04	1.10	5.38	0.18
14.13	16.12	-8.37	-6.68	-0.09	4.34	-0.98
10.99	11.97	-11.46	-8.87	-1.96	2.93	-3.28

# Principal Lrg Cap Stk Idx Acct

City of Rockville  
September 30, 2009

## Peer Group Analysis - US Equity Large-Cap Core Funds (MF)

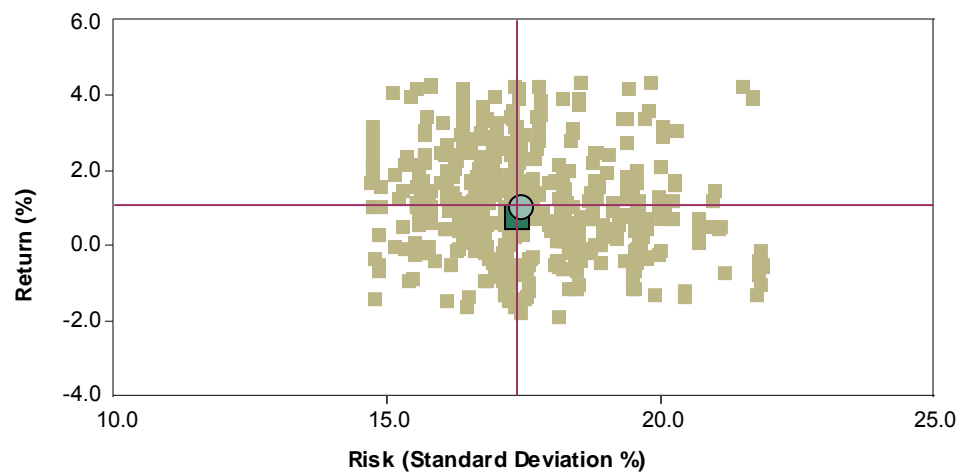


5th Percentile	-29.80	13.47	19.31	10.77	14.03	33.99	-15.88
1st Quartile	-34.52	8.92	15.81	7.14	11.39	28.91	-19.39
Median	-37.00	5.80	13.95	5.05	9.30	26.06	-22.08
3rd Quartile	-39.50	3.03	11.78	3.28	6.73	23.60	-24.42
95th Percentile	-44.35	-4.39	7.68	0.09	3.33	19.04	-29.21

## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lrg Cap Stk Idx Acct	0.74	17.37	-0.04	-0.28	1.00	1.00	0.08	-3.64	17.32	01/01/1995
S&P 500	1.02	17.43	-0.02	0.00	1.00	1.00	0.00	N/A	17.38	01/01/1995
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.01	17.38	0.02	0.00	01/01/1995

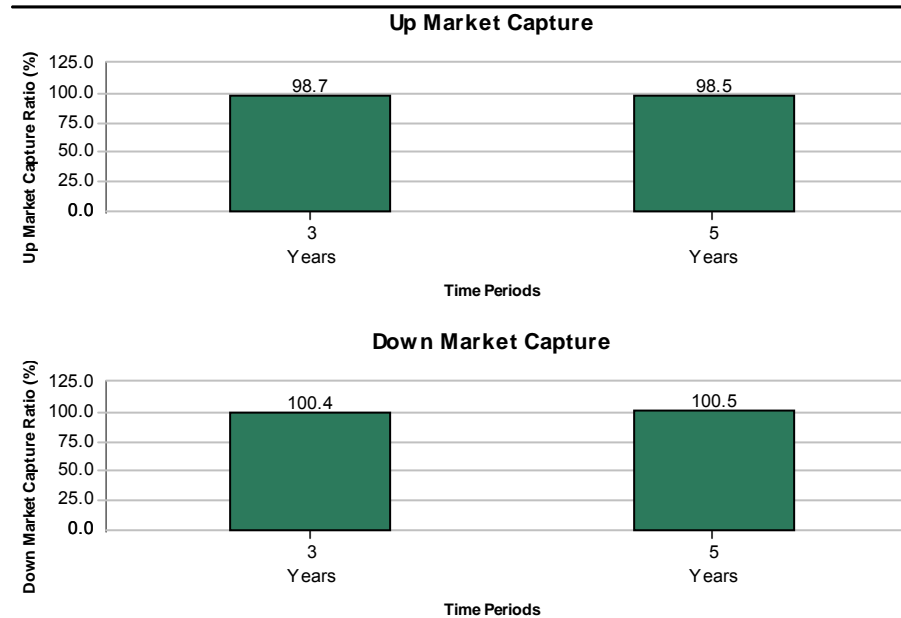
## Peer Group Scattergram (10/01/04 to 09/30/09)



	Return	Standard Deviation
Principal Lrg Cap Stk Idx Acct	0.74	17.37
S&P 500	1.02	17.43
Median	1.10	17.37

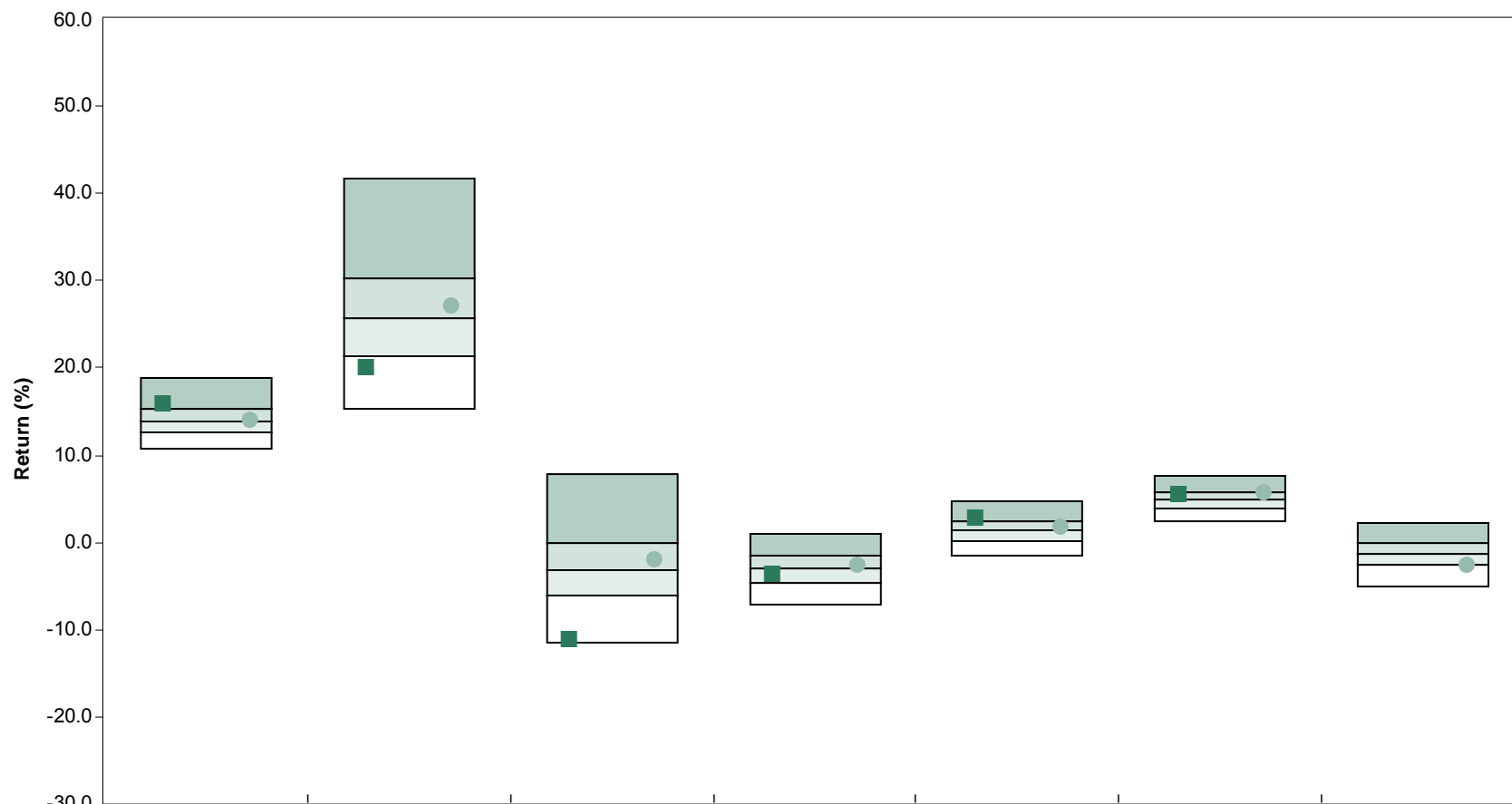
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Lrg Comp Grth Acct

## Peer Group Analysis - US Equity Large-Cap Growth Funds (MF)

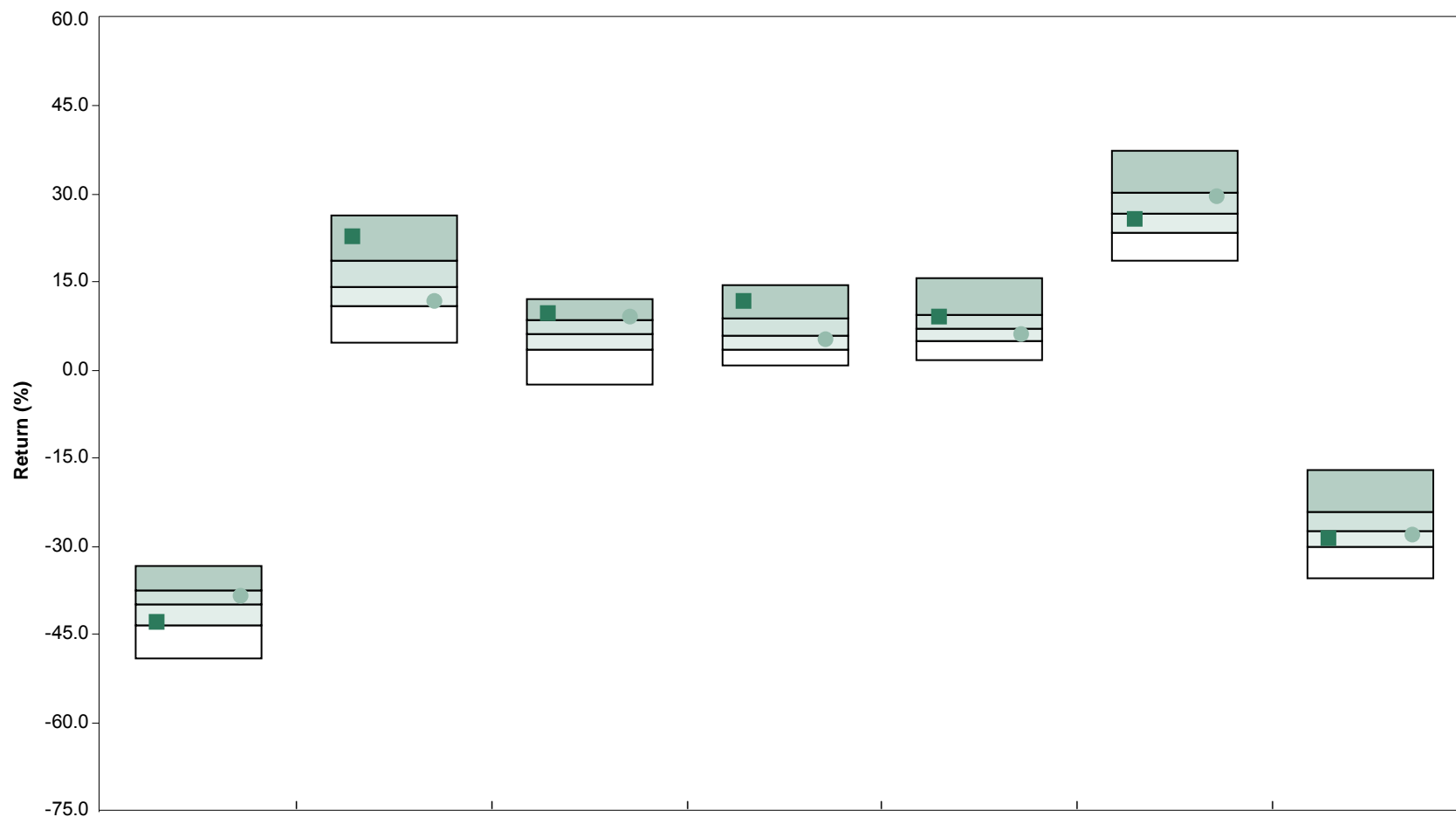


	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lrg Comp Grth Acct	15.85 (18)	19.99 (83)	-11.16 (95)	-3.61 (60)	2.75 (22)	5.59 (32)	N/A
● Russell 1000 Growth Index	13.97 (47)	27.11 (40)	-1.85 (39)	-2.50 (40)	1.86 (40)	5.81 (26)	-2.56 (75)
5th Percentile	18.80	41.76	7.86	1.00	4.62	7.60	2.14
1st Quartile	15.29	30.25	0.00	-1.62	2.45	5.84	-0.06
Median	13.89	25.70	-3.11	-3.06	1.41	4.91	-1.38
3rd Quartile	12.58	21.42	-6.19	-4.64	0.16	3.90	-2.64
95th Percentile	10.79	15.39	-11.47	-7.24	-1.45	2.51	-5.11



# Principal Lrg Comp Grth Acct

## Peer Group Analysis - US Equity Large-Cap Growth Funds (MF)



■ Principal Lrg Comp Grth Acct  
● Russell 1000 Growth Index

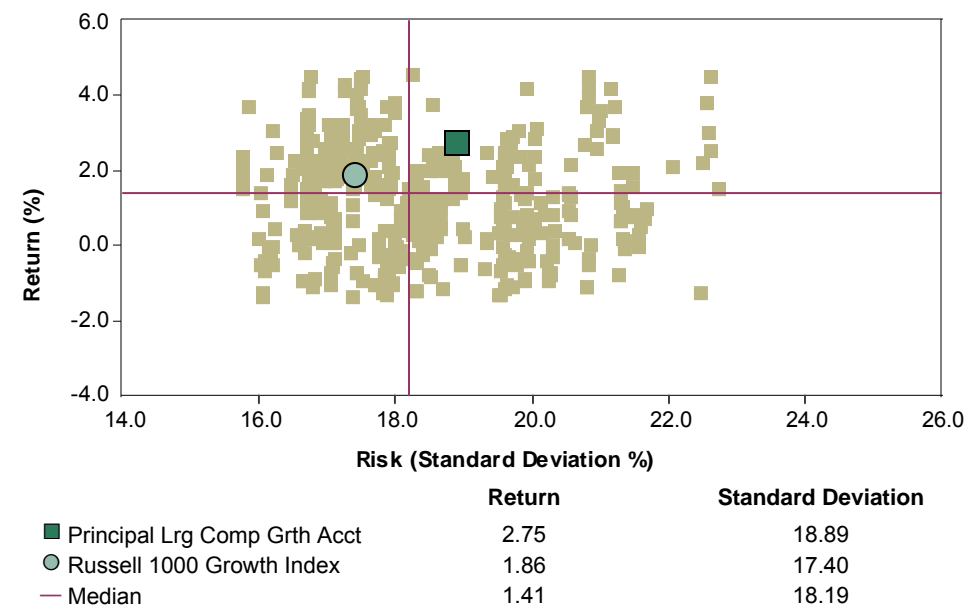
	2008	2007	2006	2005	2004	2003	2002
Principal Lrg Comp Grth Acct	-42.84 (72)	22.93 (9)	9.68 (13)	11.81 (13)	9.17 (29)	25.93 (58)	-28.71 (61)
Russell 1000 Growth Index	-38.44 (37)	11.81 (70)	9.07 (20)	5.26 (56)	6.30 (61)	29.75 (31)	-27.88 (54)
5th Percentile	-33.47	26.50	12.16	14.49	15.59	37.52	-16.88
1st Quartile	-37.47	18.54	8.49	8.90	9.53	30.36	-24.06
Median	-40.04	14.15	6.22	5.75	7.10	26.73	-27.41
3rd Quartile	-43.50	10.93	3.48	3.46	5.03	23.54	-29.96
95th Percentile	-49.15	4.68	-2.33	0.79	1.60	18.56	-35.46

## Principal Lrg Comp Grth Acct

### Historical Statistics (10/01/04 - 09/30/09) \*

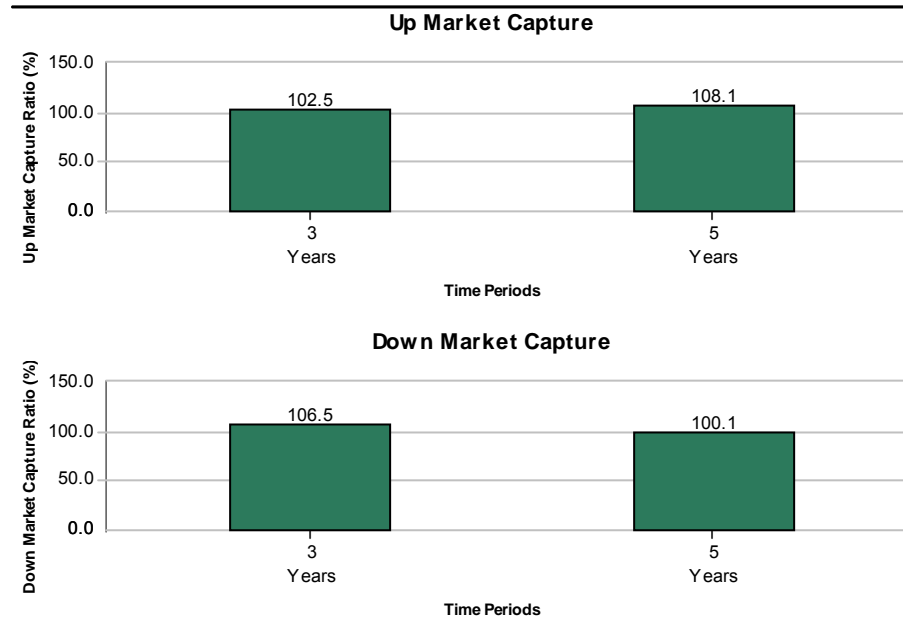
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lrg Comp Grth Acct	2.75	18.89	0.09	1.07	1.04	0.92	5.48	0.22	18.81	01/01/2001
Russell 1000 Growth Index	1.86	17.40	0.03	0.00	1.00	1.00	0.00	N/A	17.41	01/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.00	17.41	-0.03	0.00	01/01/2001

### Peer Group Scattergram (10/01/04 to 09/30/09)



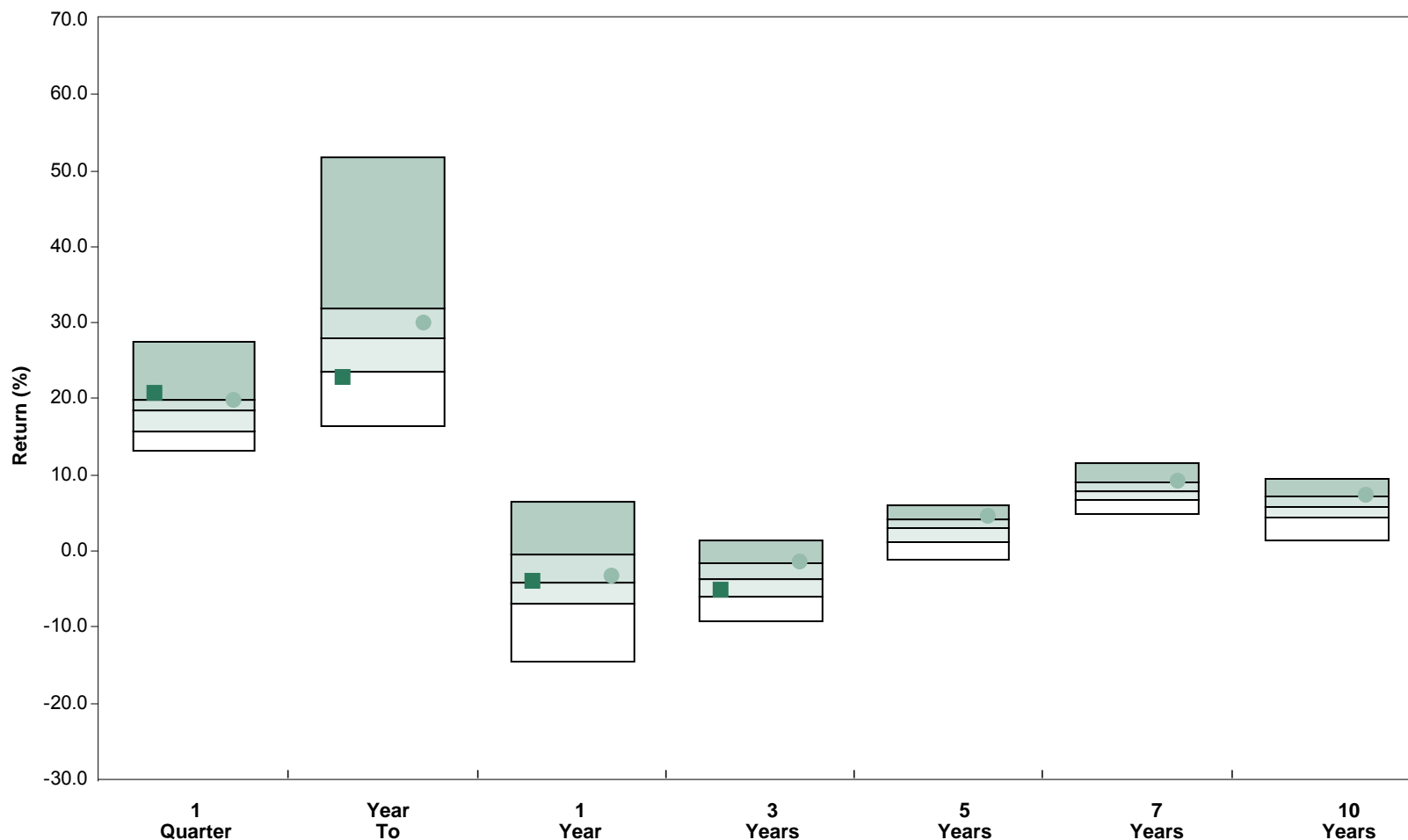
\* Quarterly periodicity used.

### Up Down Market Capture



# Principal Mid Cap Stock Fund Edge

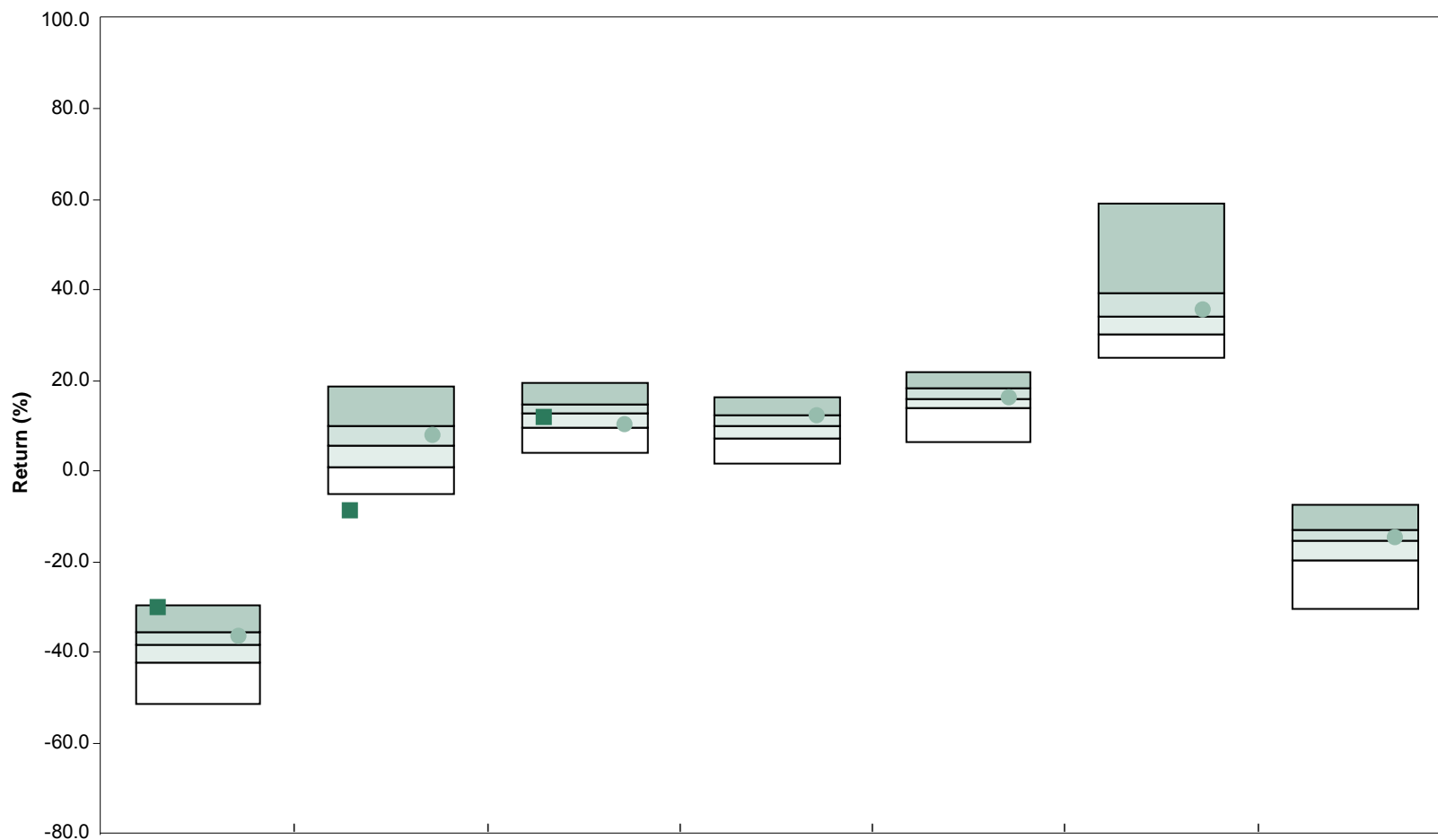
## Peer Group Analysis - US Equity Mid-Cap Core Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Mid Cap Stock Fund Edge	20.81 (18)	22.87 (79)	-3.88 (47)	-5.15 (64)	N/A	N/A	N/A
● S&P MidCap 400	19.98 (25)	30.14 (33)	-3.11 (38)	-1.40 (24)	4.53 (22)	9.28 (21)	7.48 (21)
5th Percentile	27.47	51.81	6.48	1.31	6.12	11.49	9.52
1st Quartile	19.89	31.82	-0.49	-1.49	4.27	9.02	7.22
Median	18.49	28.01	-4.06	-3.66	2.98	7.99	5.70
3rd Quartile	15.77	23.59	-6.83	-6.02	1.15	6.67	4.36
95th Percentile	13.17	16.35	-14.43	-9.24	-1.04	4.96	1.52

# Principal Mid Cap Stock Fund Edge

## Peer Group Analysis - US Equity Mid-Cap Core Funds (MF)



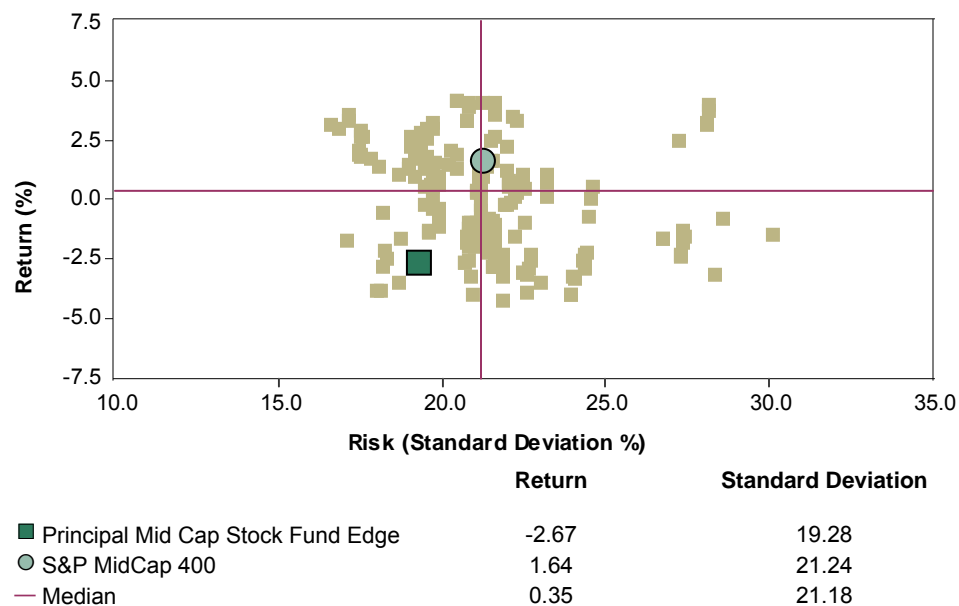
■ Principal Mid Cap Stock Fund Edge  
● S&P MidCap 400

	2008	2007	2006	2005	2004	2003	2002
5th Percentile	-29.70	18.85	19.47	16.53	22.02	59.36	-7.56
1st Quartile	-35.69	9.93	14.85	12.33	18.23	39.31	-13.15
Median	-38.43	5.62	12.93	9.90	15.95	34.21	-15.27
3rd Quartile	-42.15	0.89	9.64	7.19	13.81	30.07	-19.72
95th Percentile	-51.26	-5.26	3.98	1.59	6.59	24.93	-30.31

## Historical Statistics (07/01/05 - 09/30/09) \*

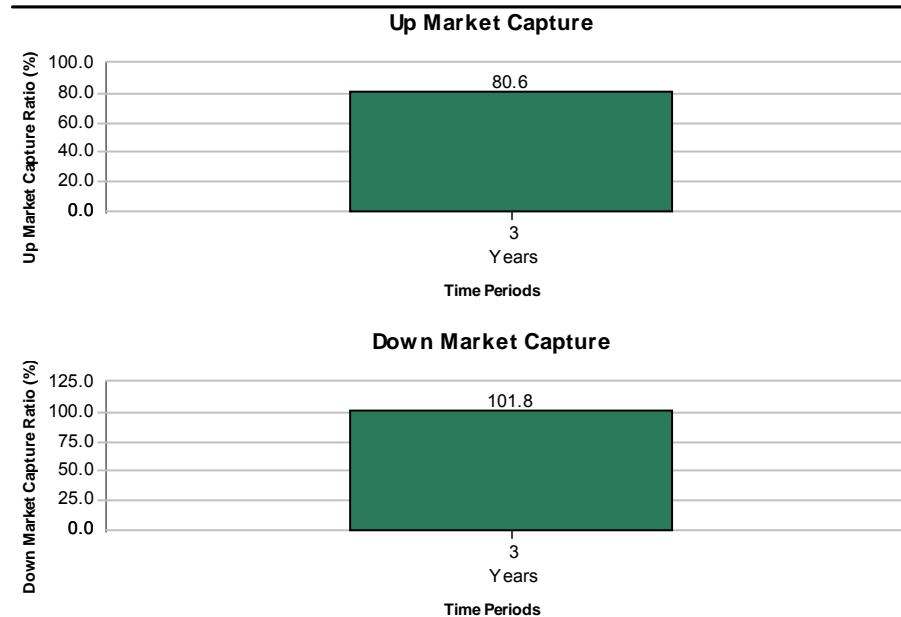
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Mid Cap Stock Fund Edge	-2.67	19.28	-0.20	-4.14	0.84	0.85	8.16	-0.59	19.32	07/01/2005
S&P MidCap 400	1.64	21.24	0.04	0.00	1.00	1.00	0.00	N/A	21.28	07/01/2005
90 Day U.S. Treasury Bill	3.18	0.93	N/A	3.15	0.00	0.00	21.28	-0.04	0.00	07/01/2005

## Peer Group Scattergram (07/01/05 to 09/30/09)



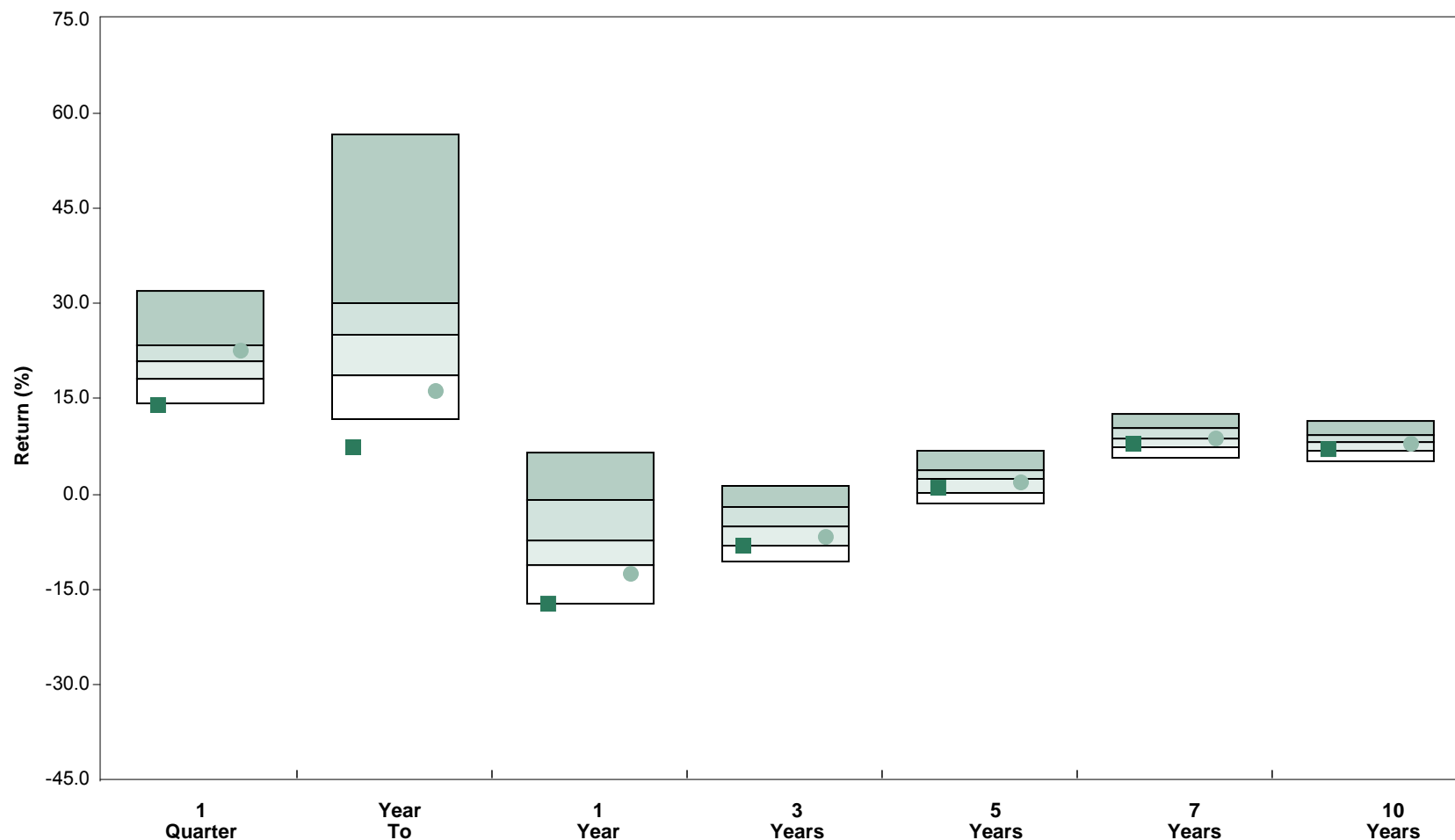
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Small Comp Val Acct

## Peer Group Analysis - US Equity Small-Cap Value Funds (MF)

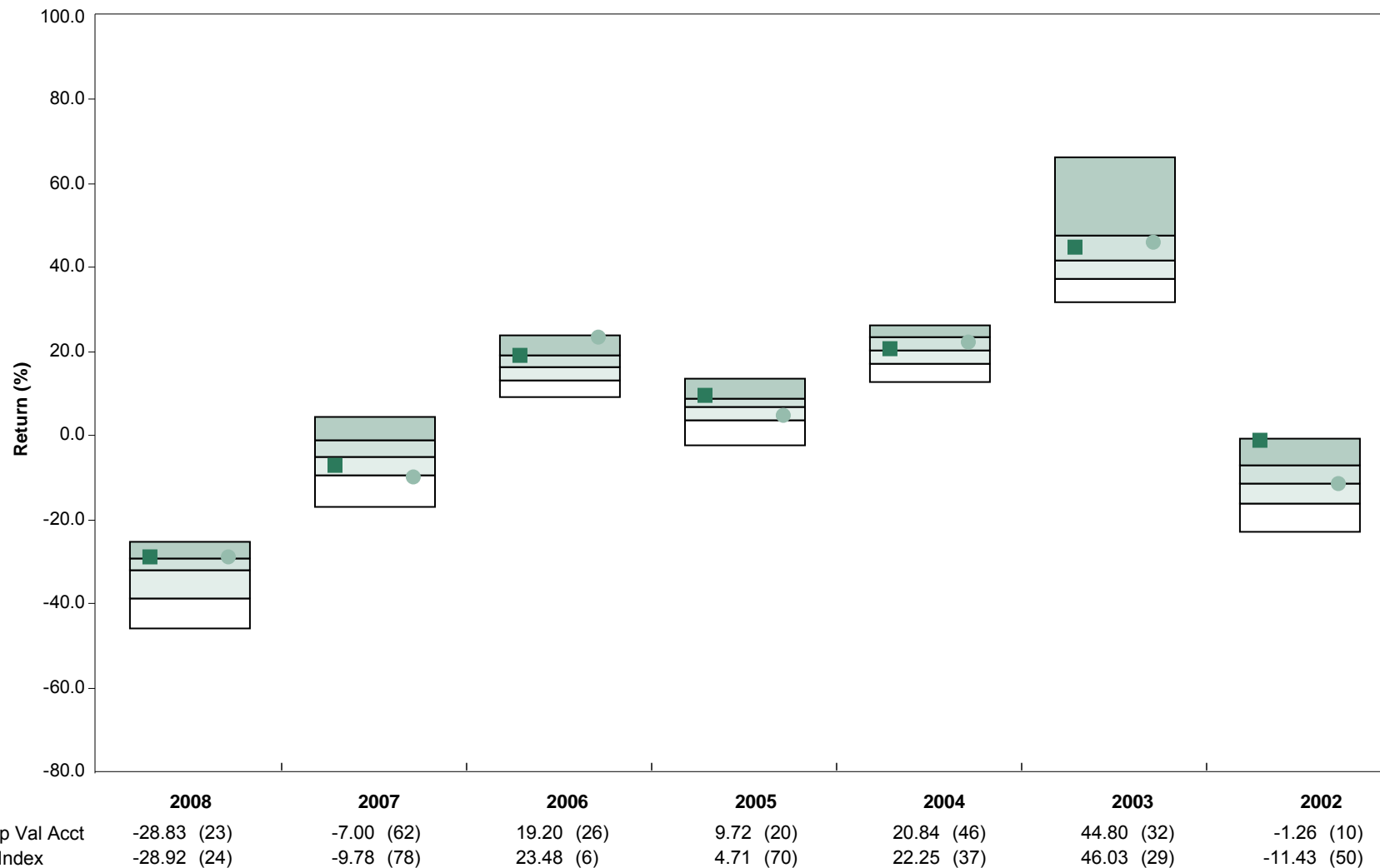


■ Principal Small Comp Val Acct	13.96 (96)	7.41 (99)	-17.41 (98)	-8.19 (77)	1.04 (67)	8.00 (63)	7.10 (69)
● Russell 2000 Value Index	22.70 (32)	16.36 (84)	-12.61 (82)	-6.65 (63)	1.78 (57)	8.82 (51)	8.05 (54)
5th Percentile	32.05	56.63	6.55	1.20	6.77	12.55	11.47
1st Quartile	23.45	30.10	-0.95	-1.92	3.87	10.49	9.36
Median	20.91	25.20	-7.26	-5.11	2.39	8.82	8.23
3rd Quartile	18.28	18.87	-11.23	-8.09	0.31	7.38	6.79
95th Percentile	14.44	11.87	-17.16	-10.61	-1.56	5.69	5.19

# Principal Small Comp Val Acct

City of Rockville  
September 30, 2009

## Peer Group Analysis - US Equity Small-Cap Value Funds (MF)

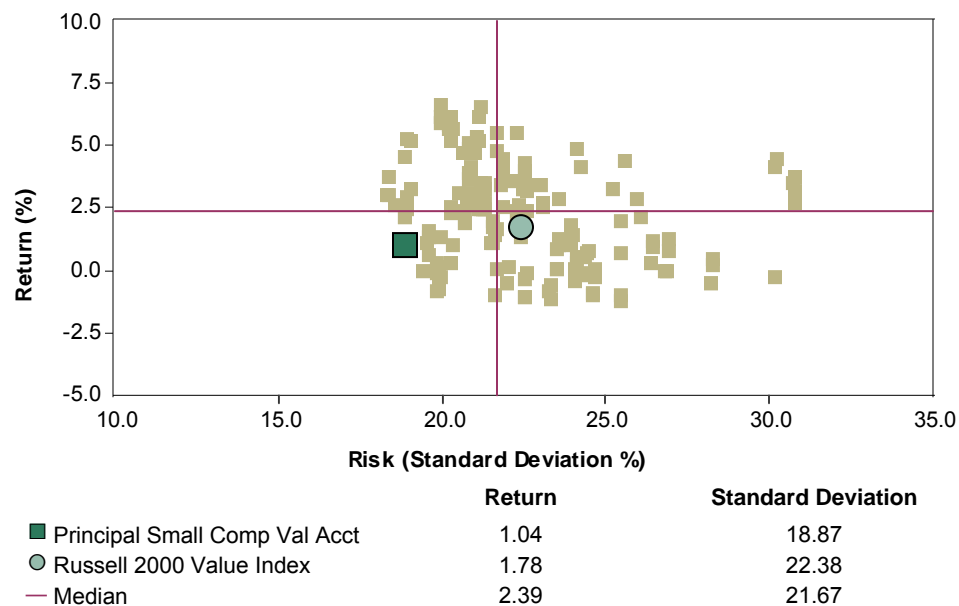


5th Percentile	-25.13	4.32	23.83	13.56	26.21	66.17	-0.61
1st Quartile	-29.36	-1.14	19.23	8.96	23.33	47.54	-6.96
Median	-32.15	-5.19	16.20	6.93	20.18	41.65	-11.43
3rd Quartile	-38.79	-9.54	13.00	3.76	17.31	37.32	-16.05
95th Percentile	-45.73	-16.85	9.35	-2.22	12.94	31.79	-22.77

## Historical Statistics (10/01/04 - 09/30/09) \*

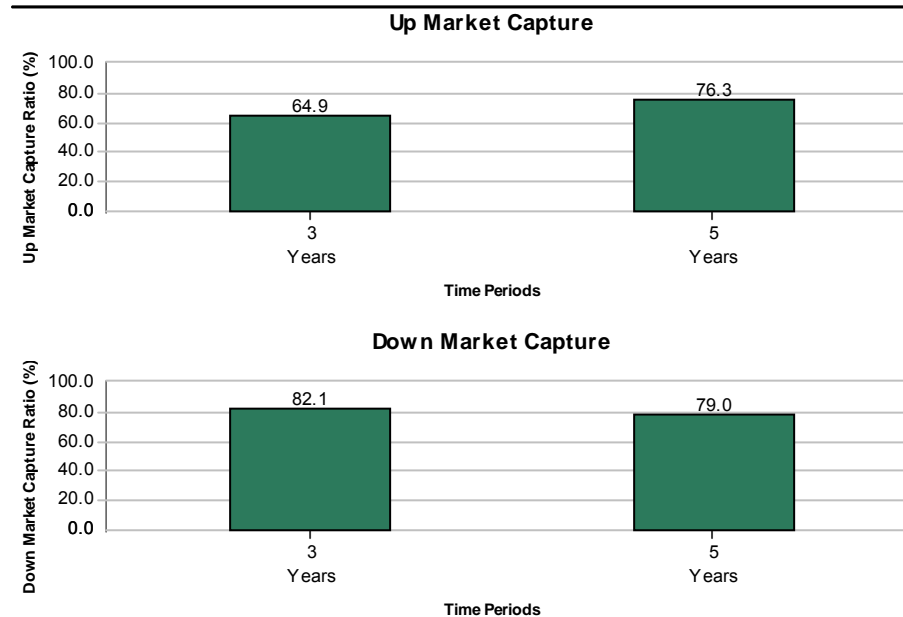
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Small Comp Val Acct	1.04	18.87	0.00	-0.64	0.81	0.93	6.43	-0.22	18.86	04/01/1997
Russell 2000 Value Index	1.78	22.38	0.06	0.00	1.00	1.00	0.00	N/A	22.41	04/01/1997
90 Day U.S. Treasury Bill	3.03	0.88	N/A	3.00	0.00	0.00	22.41	-0.06	0.00	04/01/1997

## Peer Group Scattergram (10/01/04 to 09/30/09)



\* Quarterly periodicity used.

## Up Down Market Capture

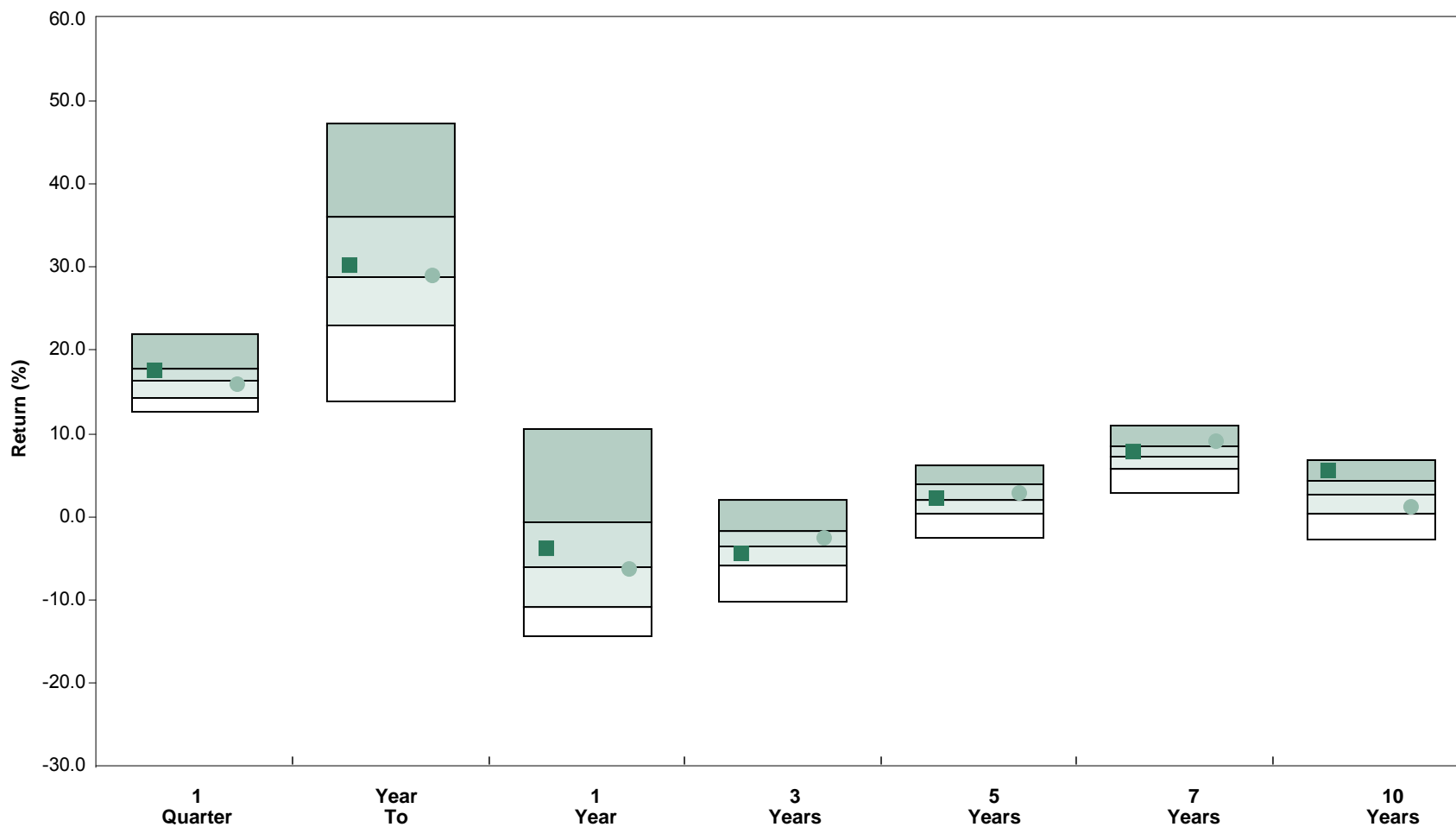




# Vanguard Explorer Fund

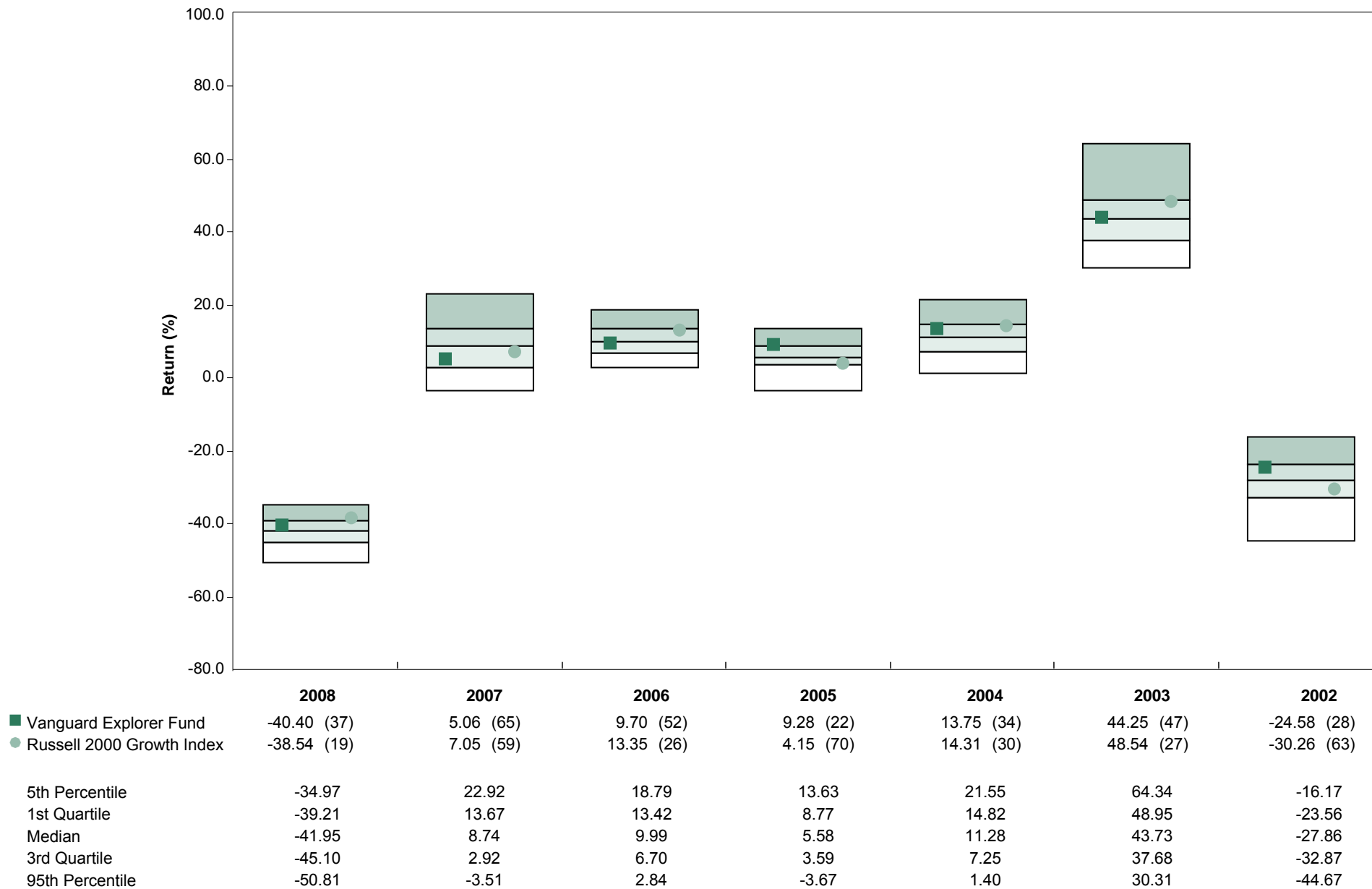
City of Rockville  
September 30, 2009

## Peer Group Analysis - US Equity Small-Cap Growth Funds (MF)



■ Vanguard Explorer Fund	17.62 (28)	30.23 (45)	-3.83 (38)	-4.39 (60)	2.24 (47)	7.91 (38)	5.62 (12)
● Russell 2000 Growth Index	15.95 (57)	29.12 (49)	-6.32 (53)	-2.60 (38)	2.91 (38)	9.02 (20)	1.10 (70)
5th Percentile	22.05	47.24	10.47	2.07	6.13	11.00	6.72
1st Quartile	17.82	36.07	-0.74	-1.80	3.96	8.52	4.36
Median	16.34	28.84	-6.04	-3.59	1.95	7.22	2.62
3rd Quartile	14.30	22.98	-10.83	-5.81	0.25	5.69	0.37
95th Percentile	12.59	13.87	-14.50	-10.28	-2.53	2.89	-2.85

## Peer Group Analysis - US Equity Small-Cap Growth Funds (MF)



## Vanguard Explorer Fund

### Fund Information

Fund Name Vanguard Explorer Fund; Investor Shares  
Fund Family Vanguard Group Inc  
Ticker VEXPX  
Inception Date 12/11/1967

Portfolio Assets \$8,464.3 Million  
Portfolio Manager Team Managed  
PM Tenure  
Fund Style US Equity Small-Cap Growth Funds (MF)  
Style Benchmark Russell 2000 Growth Index  
Portfolio Turnover 112%

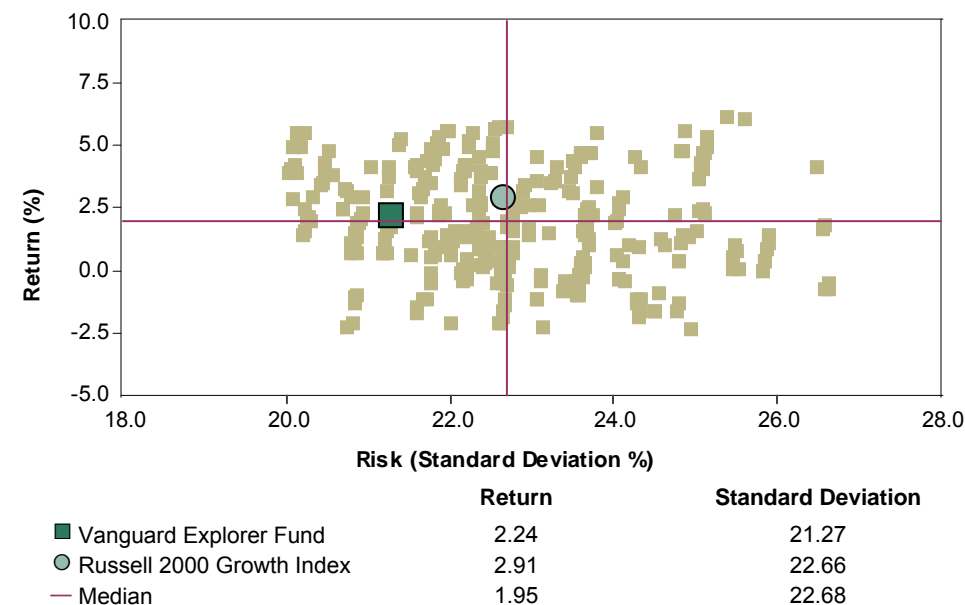
### Fund Investment Policy

The Fund seeks long-term capital growth. Invests mainly in stocks of small firms. These tend to be unseasoned firms, but are considered to have superior growth potential. These companies provide little or no dividend income.

### Historical Statistics (10/01/04 - 09/30/09) \*

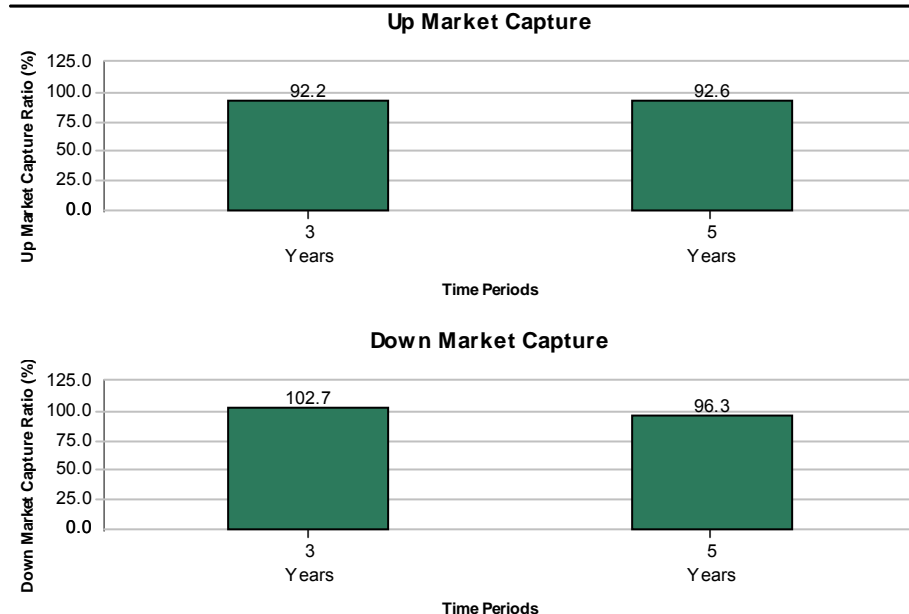
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Vanguard Explorer Fund	2.24	21.27	0.07	-0.56	0.93	0.97	3.80	-0.25	21.36	01/01/1968
Russell 2000 Growth Index	2.91	22.66	0.11	0.00	1.00	1.00	0.00	N/A	22.72	01/01/1968
90 Day U.S. Treasury Bill	3.03	0.88	N/A	3.01	0.00	0.00	22.72	-0.11	0.00	01/01/1968

### Peer Group Scattergram (10/01/04 to 09/30/09)



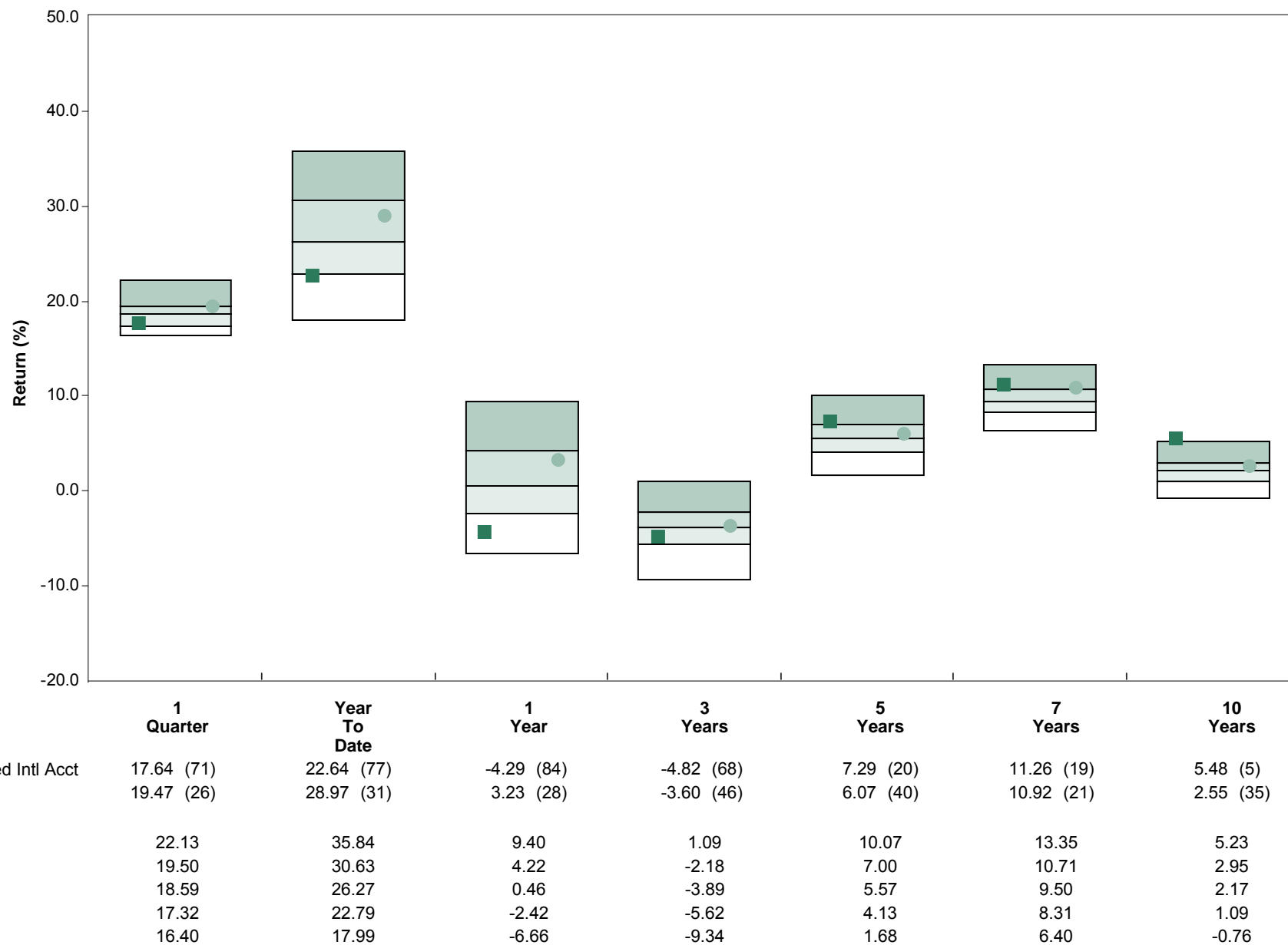
\* Quarterly periodicity used.

### Up Down Market Capture



# Principal Diversified Intl Acct

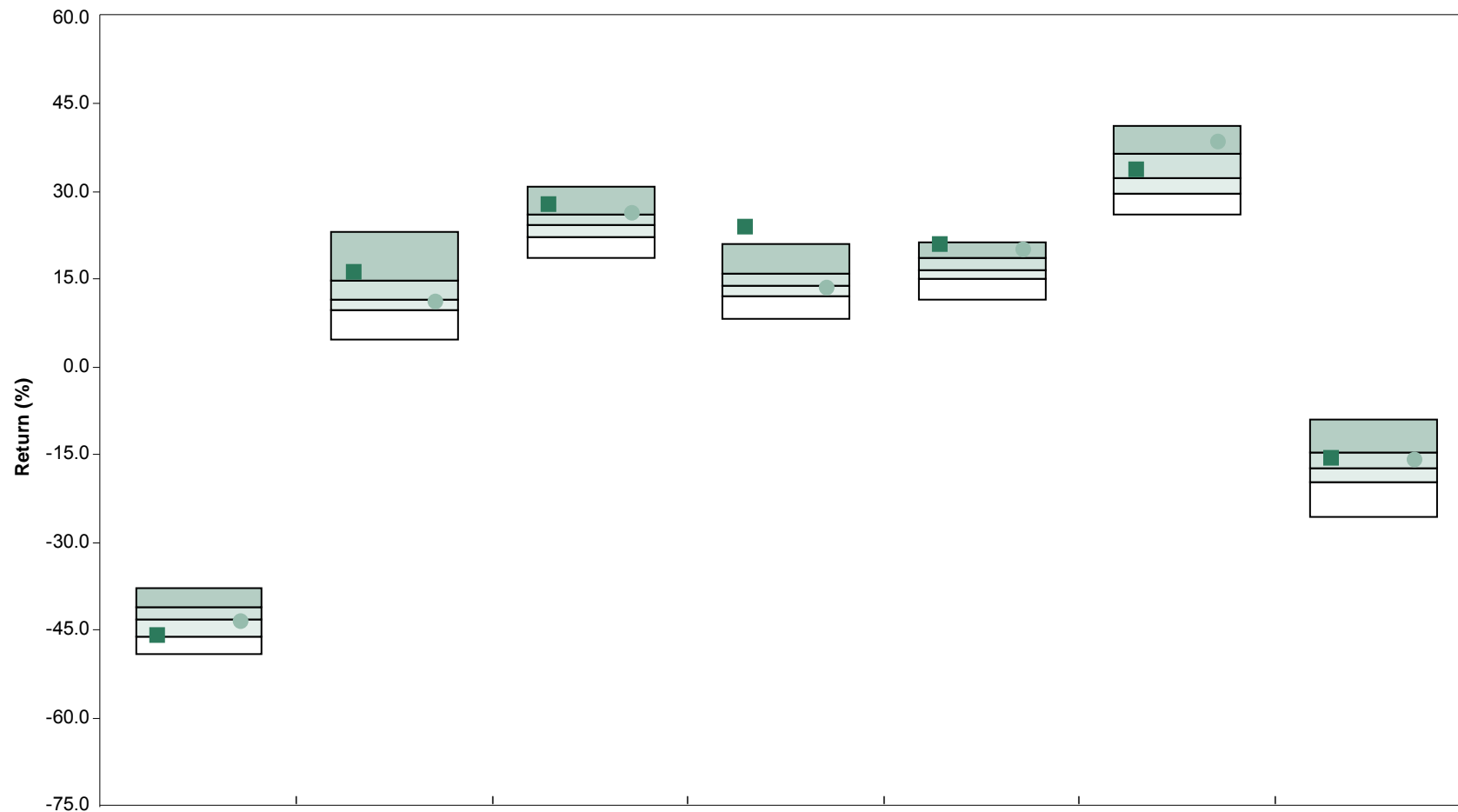
## Peer Group Analysis - International Equity Large-Cap Core Funds (MF)



# Principal Diversified Intl Acct

City of Rockville  
September 30, 2009

## Peer Group Analysis - International Equity Large-Cap Core Funds (MF)

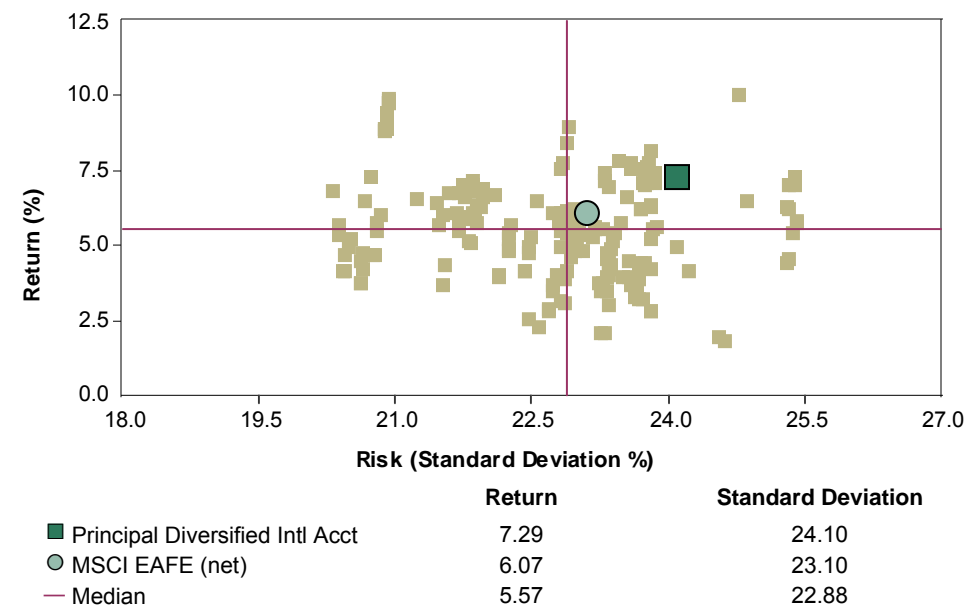


■ Principal Diversified Intl Acct	2008	2007	2006	2005	2004	2003	2002
● MSCI EAFE (net)	-45.81 (73)	16.36 (18)	28.00 (13)	24.14 (3)	20.99 (6)	33.69 (40)	-15.57 (32)
	-43.38 (52)	11.17 (53)	26.34 (20)	13.54 (54)	20.25 (9)	38.59 (16)	-15.94 (35)
5th Percentile	-37.95	23.22	30.80	21.13	21.27	41.27	-9.01
1st Quartile	-41.25	14.86	26.00	16.12	18.61	36.64	-14.53
Median	-43.13	11.53	24.33	13.76	16.68	32.24	-17.26
3rd Quartile	-46.07	9.63	22.13	12.26	15.23	29.80	-19.64
95th Percentile	-49.14	4.73	18.75	8.16	11.60	26.13	-25.54

## Historical Statistics (10/01/04 - 09/30/09) \*

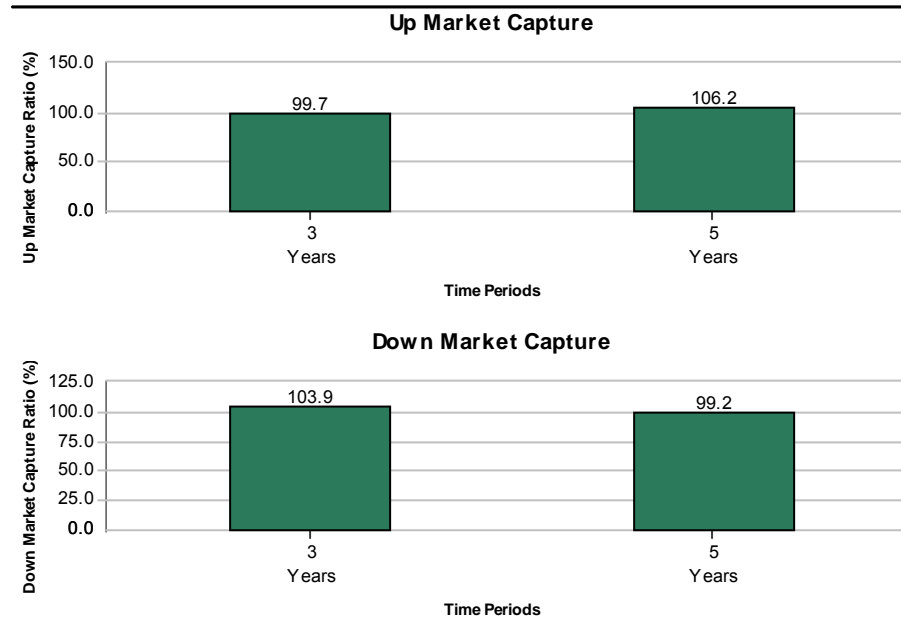
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Diversified Intl Acct	7.29	24.10	0.30	1.29	1.02	0.96	4.57	0.33	24.04	01/01/1995
MSCI EAFE (net)	6.07	23.10	0.24	0.00	1.00	1.00	0.00	N/A	23.10	01/01/1995
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.00	23.10	-0.24	0.00	01/01/1995

## Peer Group Scattergram (10/01/04 to 09/30/09)



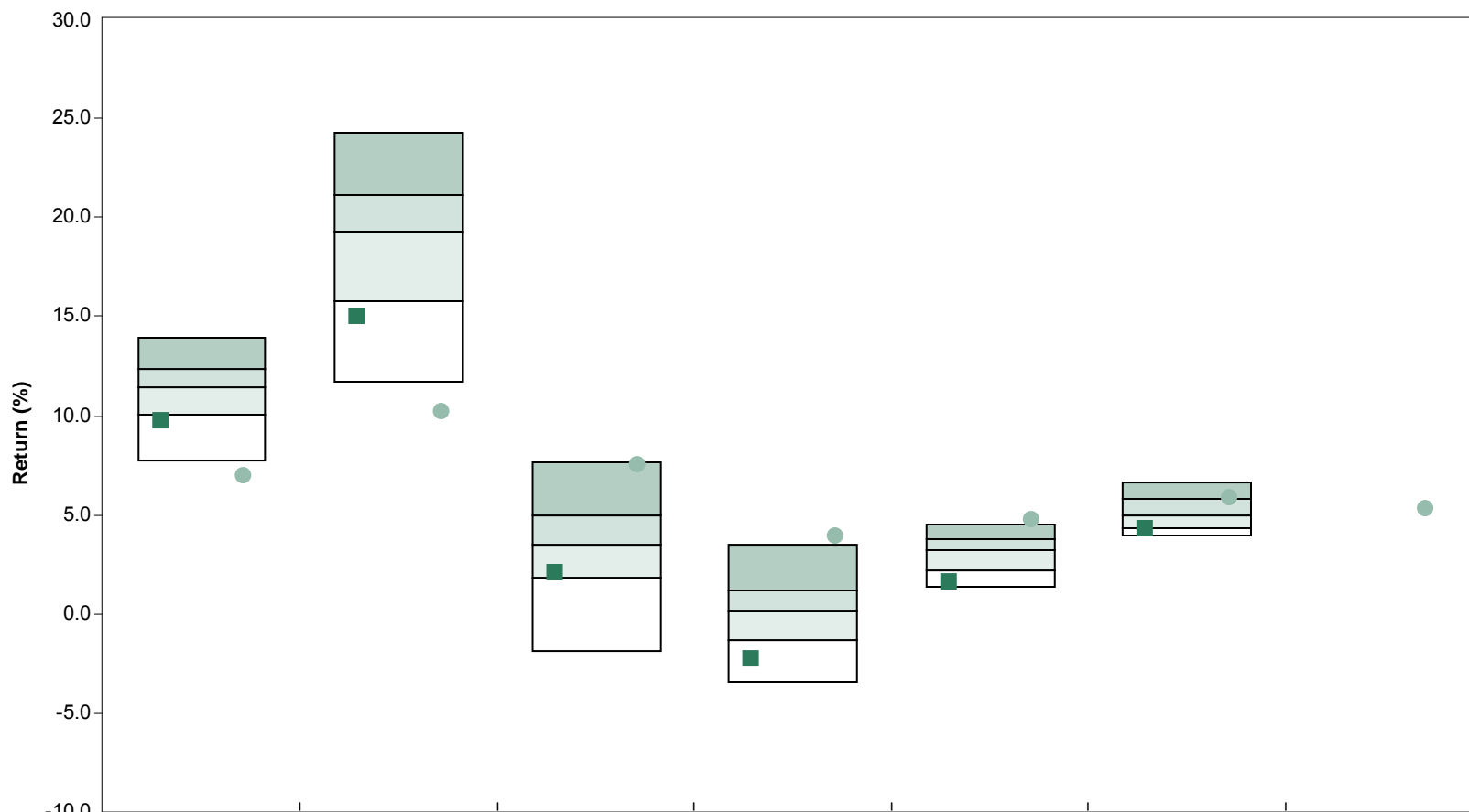
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Lifetime Strategic Income

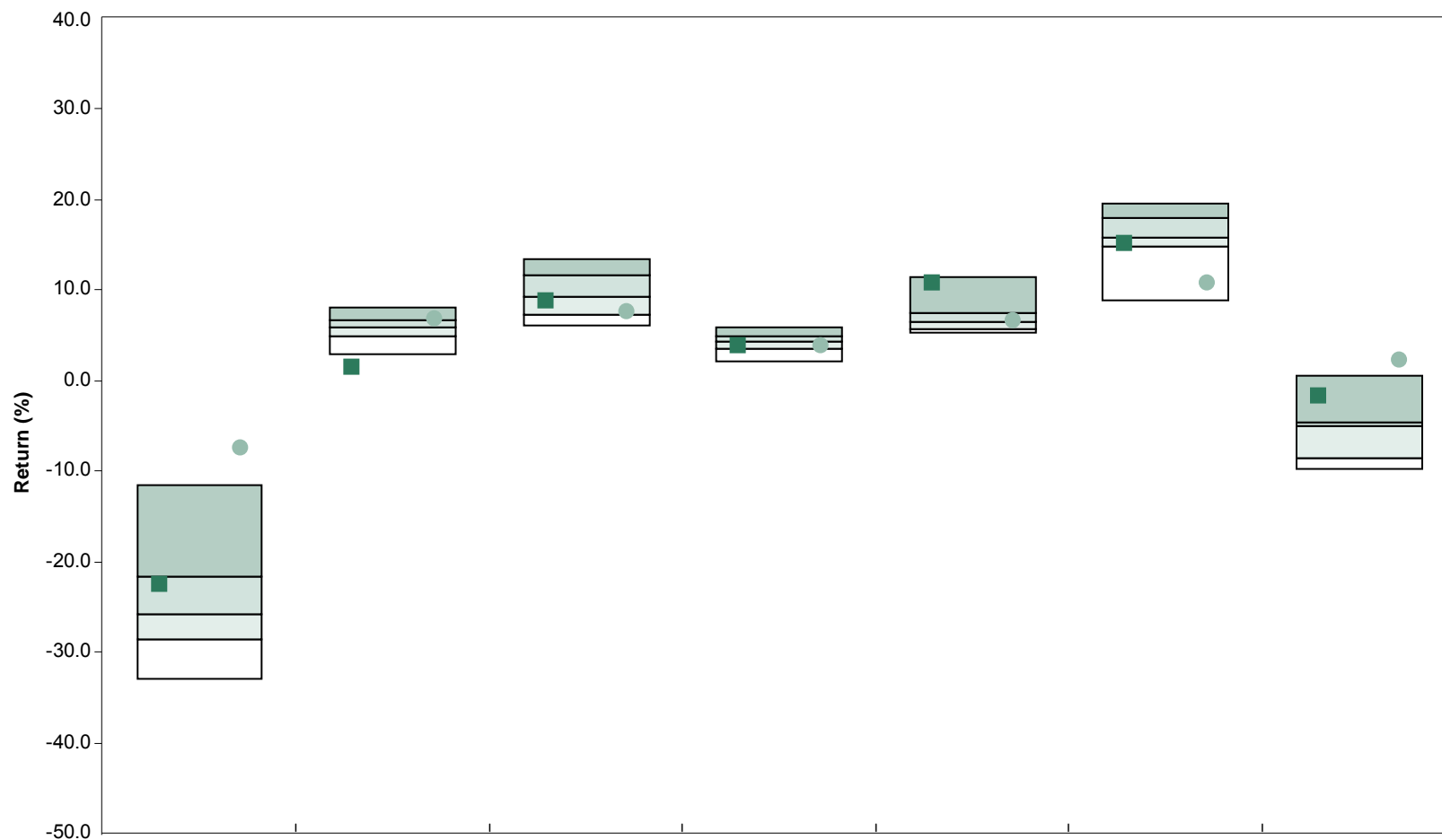
## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lifetime Strategic Income	9.81 (82)	15.07 (84)	2.07 (73)	-2.22 (89)	1.64 (89)	4.34 (78)	N/A
● 75 LBAgg / 10 R3000 / 6 EAFE Net	6.98 (98)	10.24 (98)	7.53 (6)	3.93 (4)	4.79 (1)	5.87 (23)	5.30 (N/A)
5th Percentile	13.92	24.28	7.65	3.45	4.50	6.61	N/A
1st Quartile	12.37	21.11	4.94	1.22	3.81	5.75	N/A
Median	11.42	19.25	3.46	0.20	3.19	4.96	N/A
3rd Quartile	10.02	15.79	1.87	-1.32	2.18	4.35	N/A
95th Percentile	7.72	11.71	-1.85	-3.46	1.37	3.98	N/A

# Principal Lifetime Strategic Income

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



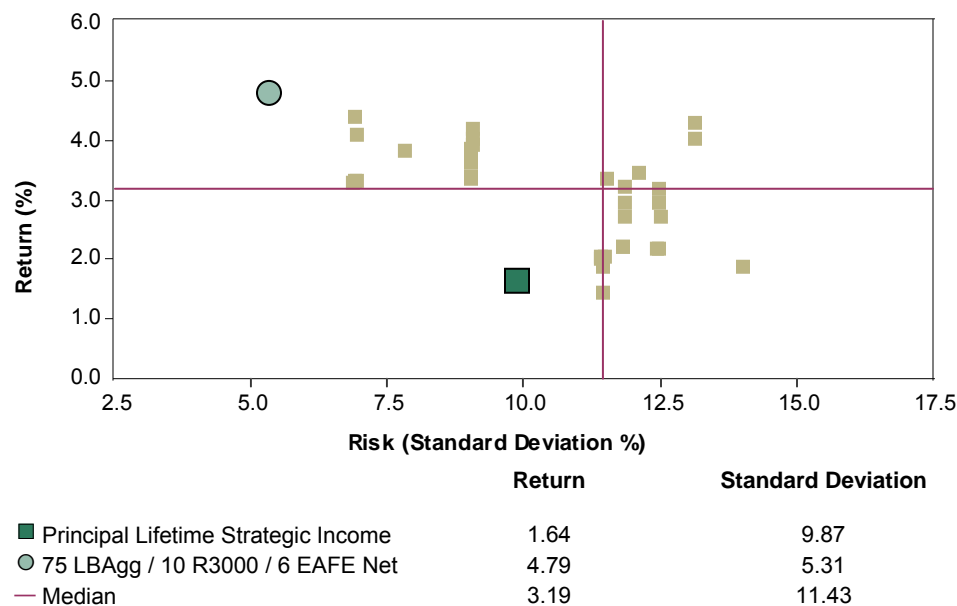
	2008	2007	2006	2005	2004	2003	2002
Principal Lifetime Strategic Income	-22.42 (30)	1.59 (100)	8.94 (56)	3.95 (70)	10.91 (16)	15.29 (67)	-1.70 (8)
75 LBAgg / 10 R3000 / 6 EAFE Net	-7.47 (1)	6.98 (21)	7.71 (70)	3.86 (71)	6.73 (46)	10.87 (89)	2.24 (4)
5th Percentile	-11.59	8.11	13.34	5.82	11.37	19.53	0.47
1st Quartile	-21.58	6.74	11.68	5.00	7.47	18.06	-4.57
Median	-25.81	5.84	9.35	4.31	6.56	15.82	-5.07
3rd Quartile	-28.64	5.00	7.37	3.57	5.68	14.92	-8.65
95th Percentile	-32.90	2.89	6.14	2.12	5.39	8.92	-9.72



## Historical Statistics (10/01/04 - 09/30/09) \*

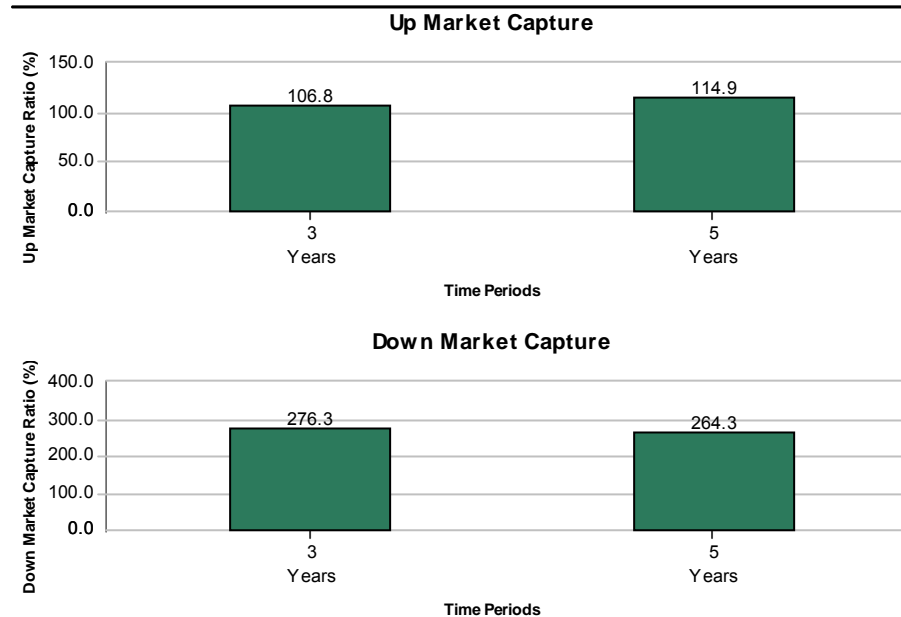
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime Strategic Income	1.64	9.87	-0.09	-6.24	1.72	0.86	5.31	-0.51	9.91	04/01/2001
75 LBAG / 10 R3000 / 6 EAFE Net	4.79	5.31	0.35	0.00	1.00	1.00	0.00	N/A	5.35	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.97	0.01	0.00	5.35	-0.35	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



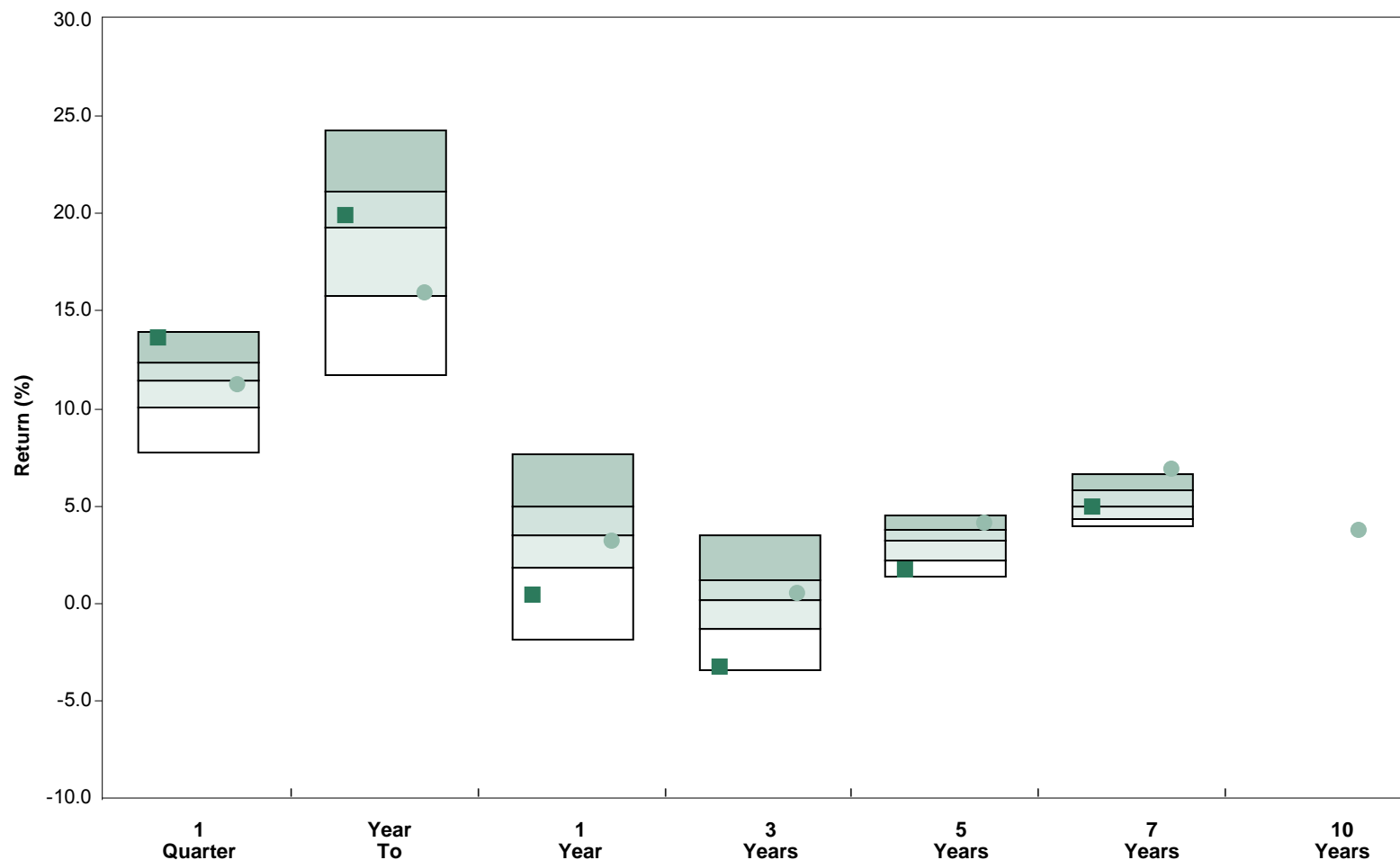
\* Quarterly periodicity used.

## Up Down Market Capture



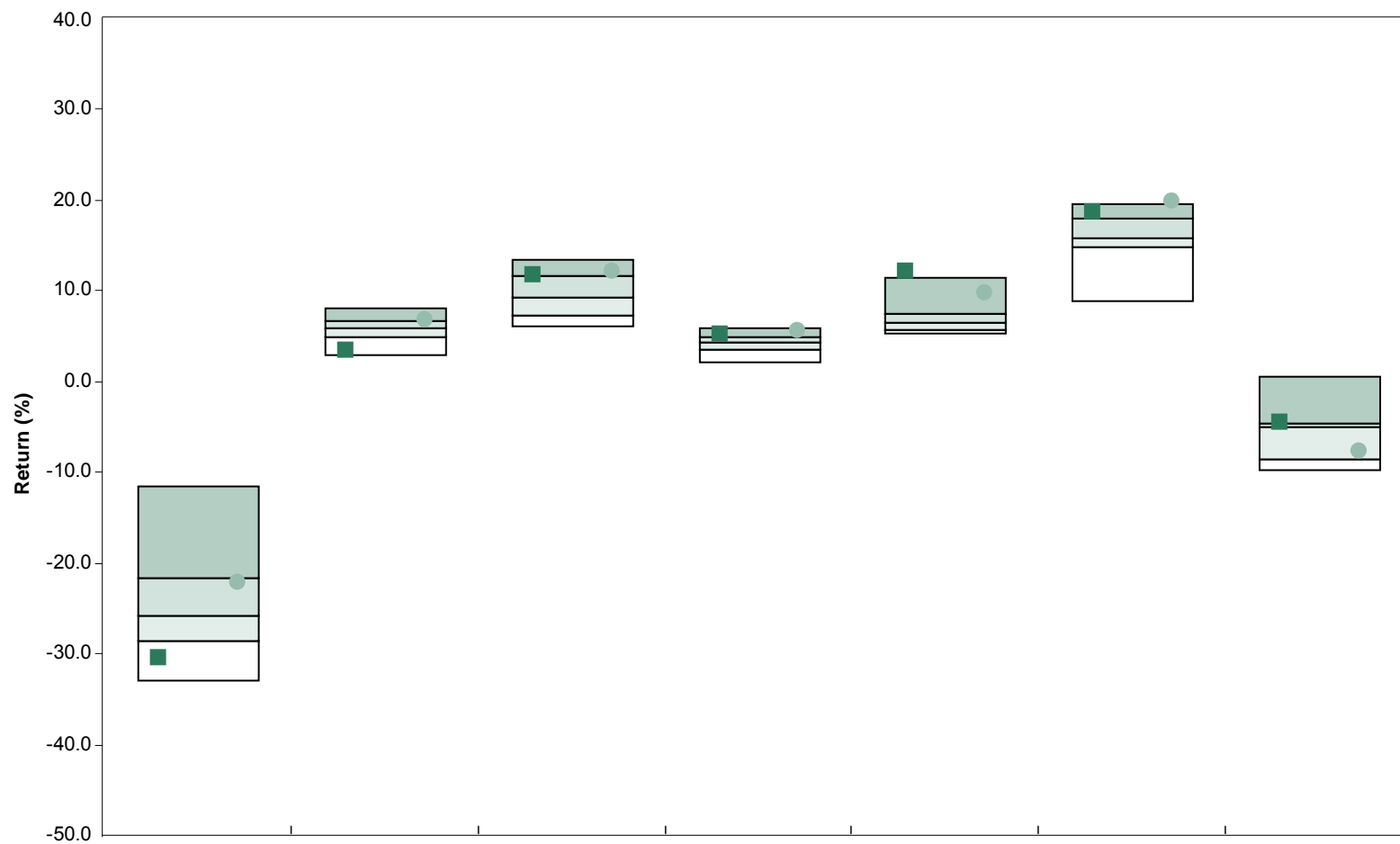
# Principal Lifetime 2010

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



■ Principal Lifetime 2010	13.62 (13)	19.95 (37)	0.40 (85)	-3.28 (95)	1.72 (88)	4.92 (52)	N/A
● 43 LBAgg / 41.9 R3000 / 15.1 EAFE Net	11.26 (53)	15.98 (74)	3.16 (55)	0.50 (42)	4.16 (12)	6.86 (4)	3.79 (N/A)
5th Percentile	13.92	24.28	7.65	3.45	4.50	6.61	N/A
1st Quartile	12.37	21.11	4.94	1.22	3.81	5.75	N/A
Median	11.42	19.25	3.46	0.20	3.19	4.96	N/A
3rd Quartile	10.02	15.79	1.87	-1.32	2.18	4.35	N/A
95th Percentile	7.72	11.71	-1.85	-3.46	1.37	3.98	N/A

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



■ Principal Lifetime 2010

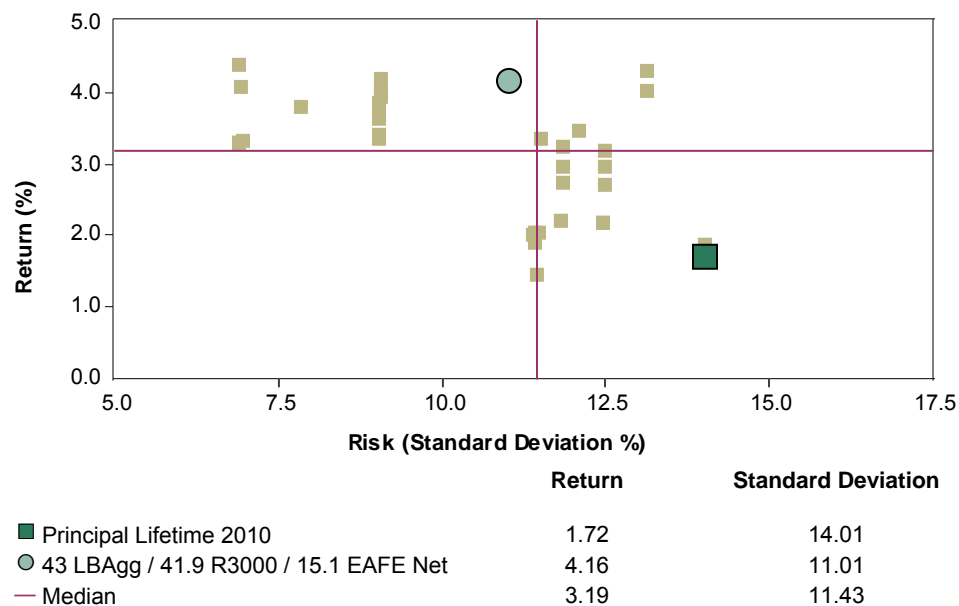
● 43 LBAgg / 41.9 R3000 / 15.1 EAFE Net

	2008	2007	2006	2005	2004	2003	2002
Principal Lifetime 2010	-30.37 (86)	3.44 (90)	11.85 (25)	5.39 (13)	12.32 (1)	18.79 (6)	-4.44 (22)
43 LBAgg / 41.9 R3000 / 15.1 EAFE Net	-22.11 (30)	6.98 (21)	12.26 (19)	5.73 (7)	9.90 (22)	20.04 (5)	-7.55 (68)
5th Percentile	-11.59	8.11	13.34	5.82	11.37	19.53	0.47
1st Quartile	-21.58	6.74	11.68	5.00	7.47	18.06	-4.57
Median	-25.81	5.84	9.35	4.31	6.56	15.82	-5.07
3rd Quartile	-28.64	5.00	7.37	3.57	5.68	14.92	-8.65
95th Percentile	-32.90	2.89	6.14	2.12	5.39	8.92	-9.72

## Historical Statistics (10/01/04 - 09/30/09) \*

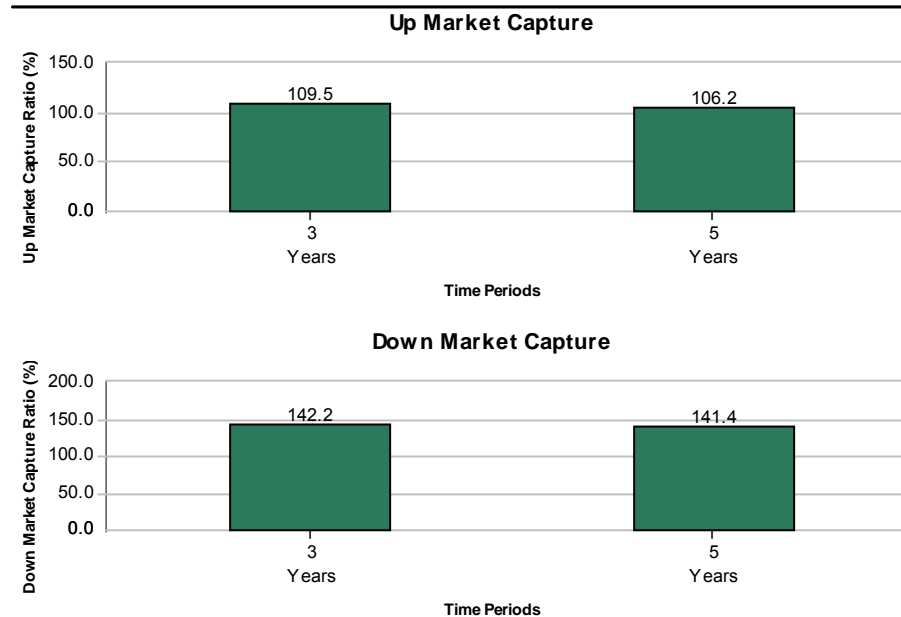
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2010	1.72	14.01	-0.02	-3.25	1.26	0.98	3.37	-0.59	14.03	04/01/2001
43 LBAG / 41.9 R3000 / 15.1 EAFE Net	4.16	11.01	0.16	0.00	1.00	1.00	0.00	N/A	11.00	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	11.00	-0.16	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



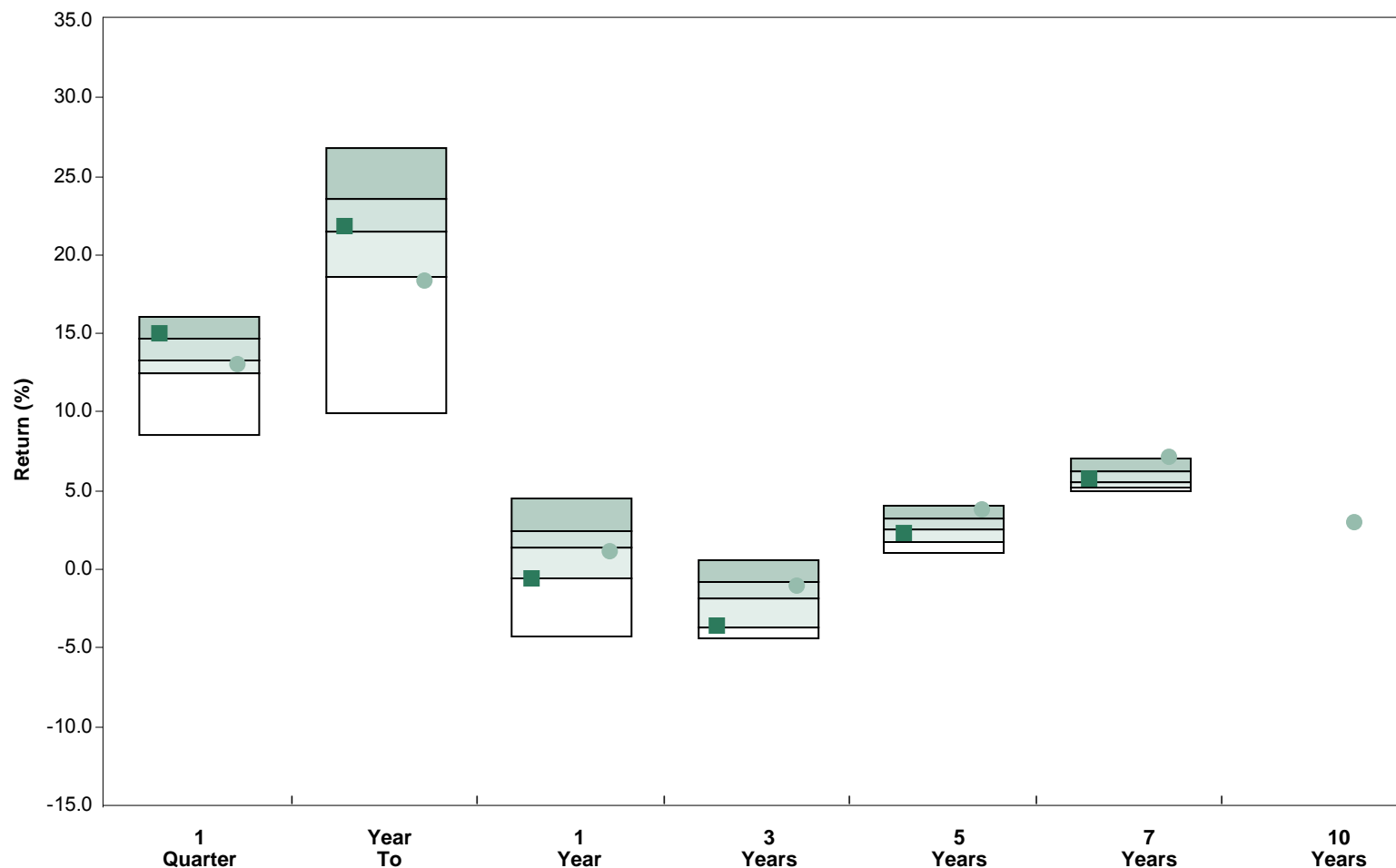
\* Quarterly periodicity used.

## Up Down Market Capture



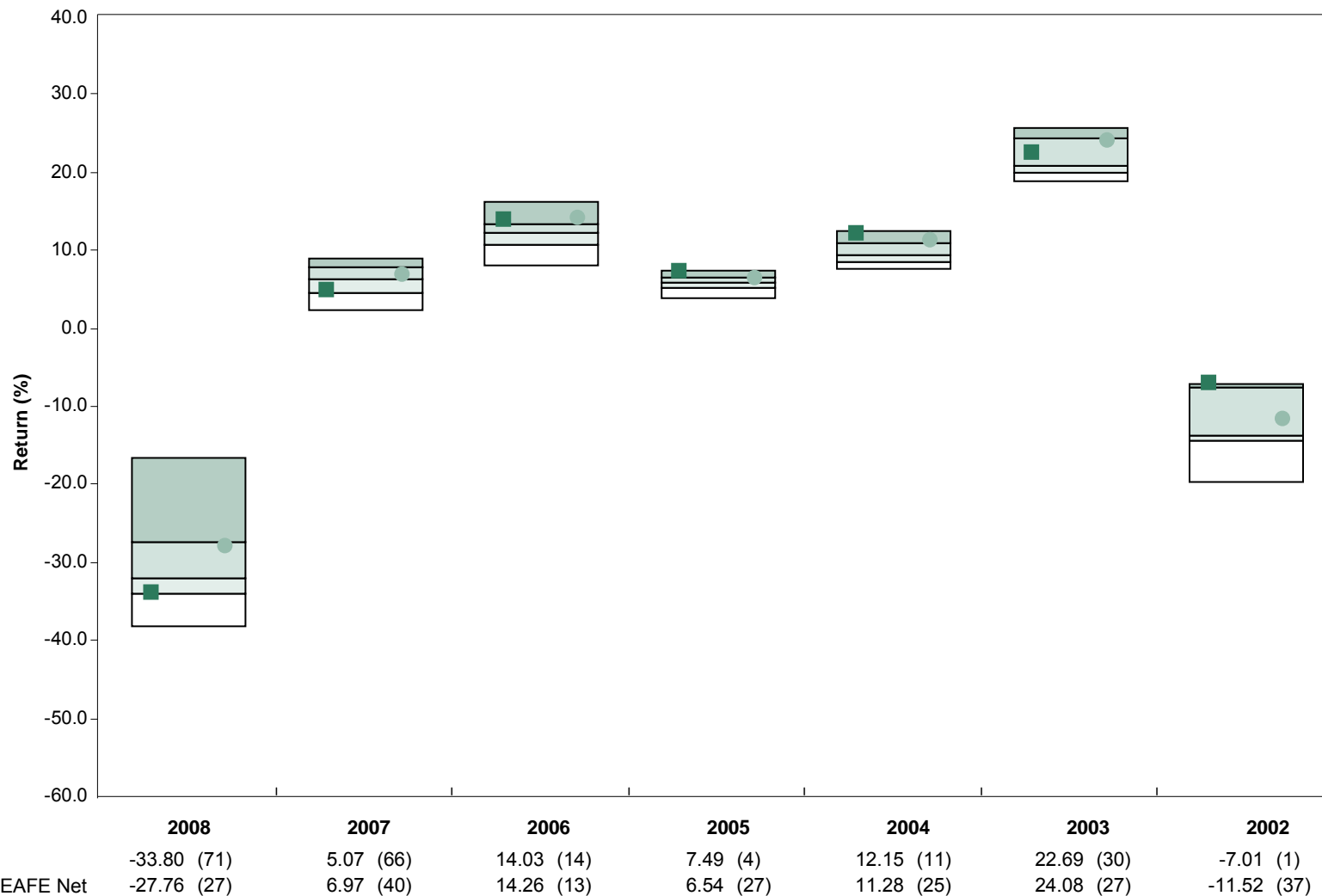
# Principal Lifetime 2020

## Peer Group Analysis - Mixed-Asset Target 2020 Funds (MF)



■ Principal Lifetime 2020	15.06 (17)	21.84 (42)	-0.54 (76)	-3.60 (73)	2.35 (52)	5.76 (45)	N/A
● 29.5 LBAgg / 51.1 R3000 / 19.4 EAFE Net	13.11 (56)	18.38 (79)	1.16 (56)	-1.03 (32)	3.83 (9)	7.22 (5)	3.07 (N/A)
5th Percentile	16.12	26.79	4.51	0.57	4.05	7.02	N/A
1st Quartile	14.65	23.61	2.39	-0.82	3.19	6.20	N/A
Median	13.26	21.49	1.45	-1.79	2.51	5.56	N/A
3rd Quartile	12.51	18.65	-0.51	-3.69	1.78	5.23	N/A
95th Percentile	8.57	9.98	-4.28	-4.37	1.04	5.03	N/A

## Peer Group Analysis - Mixed-Asset Target 2020 Funds (MF)

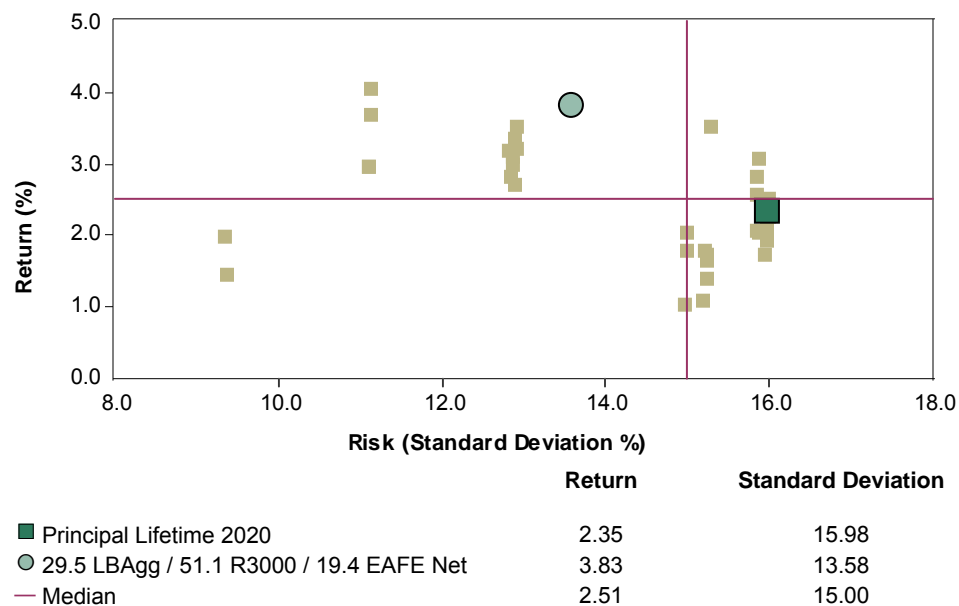


5th Percentile	-16.53	8.86	16.18	7.30	12.43	25.73	-7.19
1st Quartile	-27.47	7.80	13.32	6.62	10.92	24.45	-7.68
Median	-31.95	6.23	12.25	5.94	9.34	20.73	-13.71
3rd Quartile	-34.03	4.64	10.66	5.14	8.51	19.92	-14.50
95th Percentile	-38.25	2.26	8.11	3.78	7.52	18.87	-19.60

## Historical Statistics (10/01/04 - 09/30/09) \*

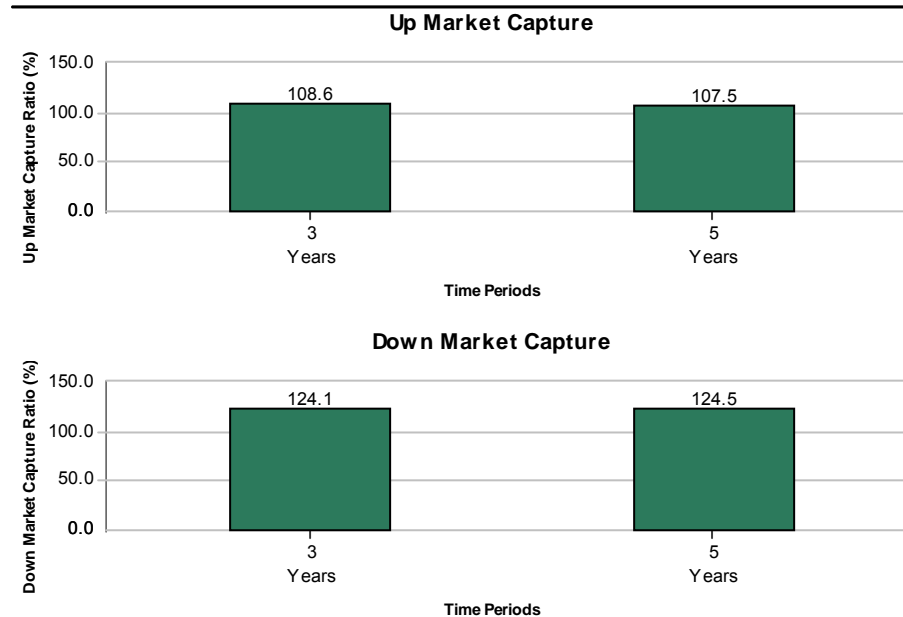
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2020	2.35	15.98	0.04	-1.88	1.17	0.99	2.81	-0.38	15.99	04/01/2001
29.5 LBAgg / 51.1 R3000 / 19.4 EAFE Net	3.83	13.58	0.13	0.00	1.00	1.00	0.00	N/A	13.57	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	13.57	-0.13	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



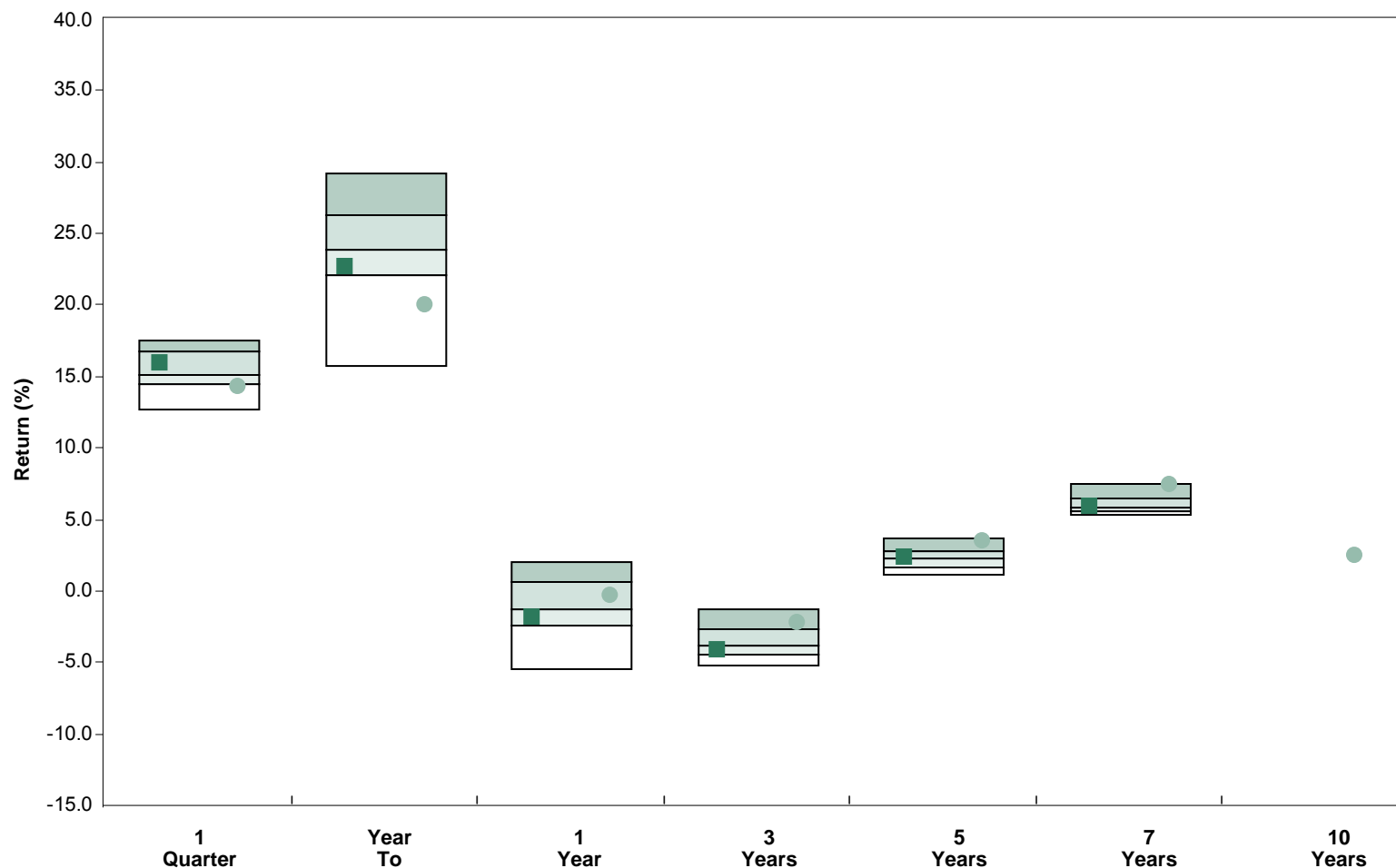
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Lifetime 2030

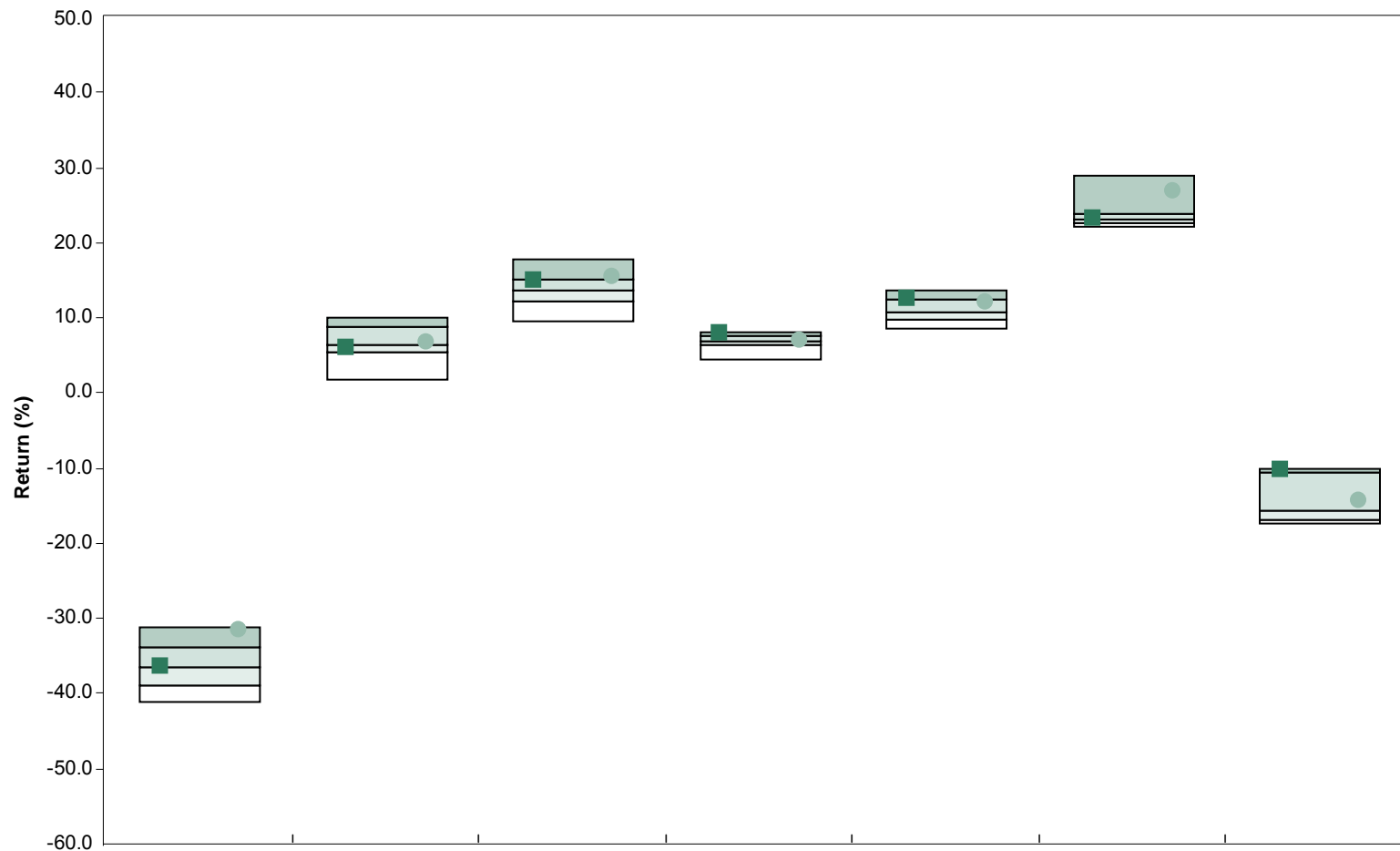
## Peer Group Analysis - Mixed-Asset Target 2030 Funds (MF)



Principal Lifetime 2030	16.00 (38)	22.77 (65)	-1.75 (61)	-4.11 (59)	2.35 (44)	5.91 (45)	N/A
20.2 LBAGG / 57.3 R3000 / 22.5 EAFE Net	14.40 (77)	20.01 (91)	-0.28 (35)	-2.11 (17)	3.58 (7)	7.44 (6)	2.55 (N/A)
5th Percentile	17.58	29.19	2.03	-1.26	3.63	7.48	N/A
1st Quartile	16.81	26.29	0.61	-2.67	2.81	6.53	N/A
Median	15.06	23.82	-1.24	-3.86	2.26	5.82	N/A
3rd Quartile	14.45	22.15	-2.46	-4.49	1.69	5.61	N/A
95th Percentile	12.64	15.78	-5.49	-5.22	1.14	5.31	N/A



## Peer Group Analysis - Mixed-Asset Target 2030 Funds (MF)



■ Principal Lifetime 2030

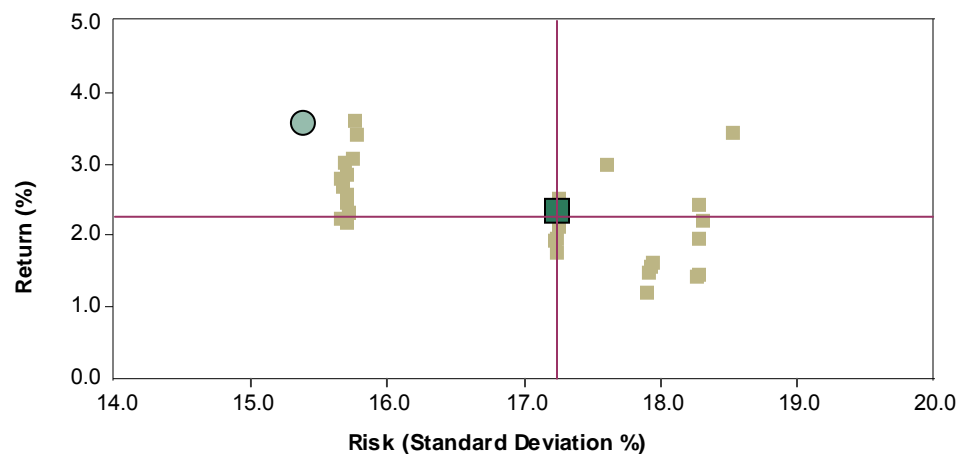
● 20.2 LBAgg / 57.3 R3000 / 22.5 EAFE Net

5th Percentile	-31.21	9.92	17.66	8.16	13.75	28.89	-10.19
1st Quartile	-33.87	8.77	15.07	7.56	12.46	23.87	-10.46
Median	-36.51	6.44	13.75	6.98	10.71	23.07	-15.70
3rd Quartile	-39.00	5.39	12.28	6.48	9.75	22.65	-16.99
95th Percentile	-41.07	1.86	9.66	4.53	8.68	22.26	-17.36

## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2030	2.35	17.24	0.05	-1.42	1.12	0.99	2.41	-0.36	17.24	04/01/2001
20.2 LBAG / 57.3 R3000 / 22.5 EAFE Net	3.58	15.38	0.11	0.00	1.00	1.00	0.00	N/A	15.37	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	15.37	-0.11	0.00	04/01/2001

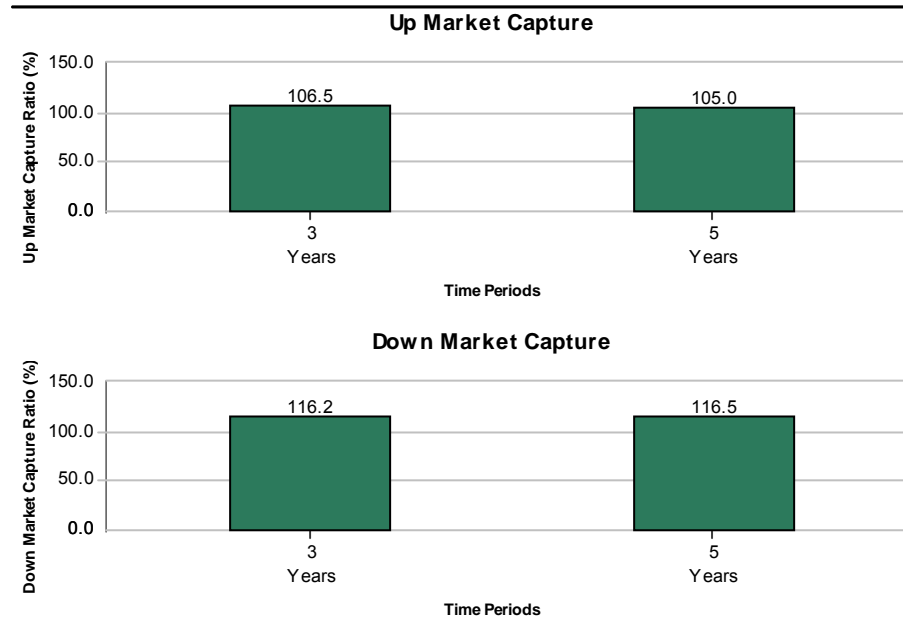
## Peer Group Scattergram (10/01/04 to 09/30/09)



	Return	Standard Deviation
Principal Lifetime 2030	2.35	17.24
20.2 LBAG / 57.3 R3000 / 22.5 EAFE Net	3.58	15.38
Median	2.26	17.24

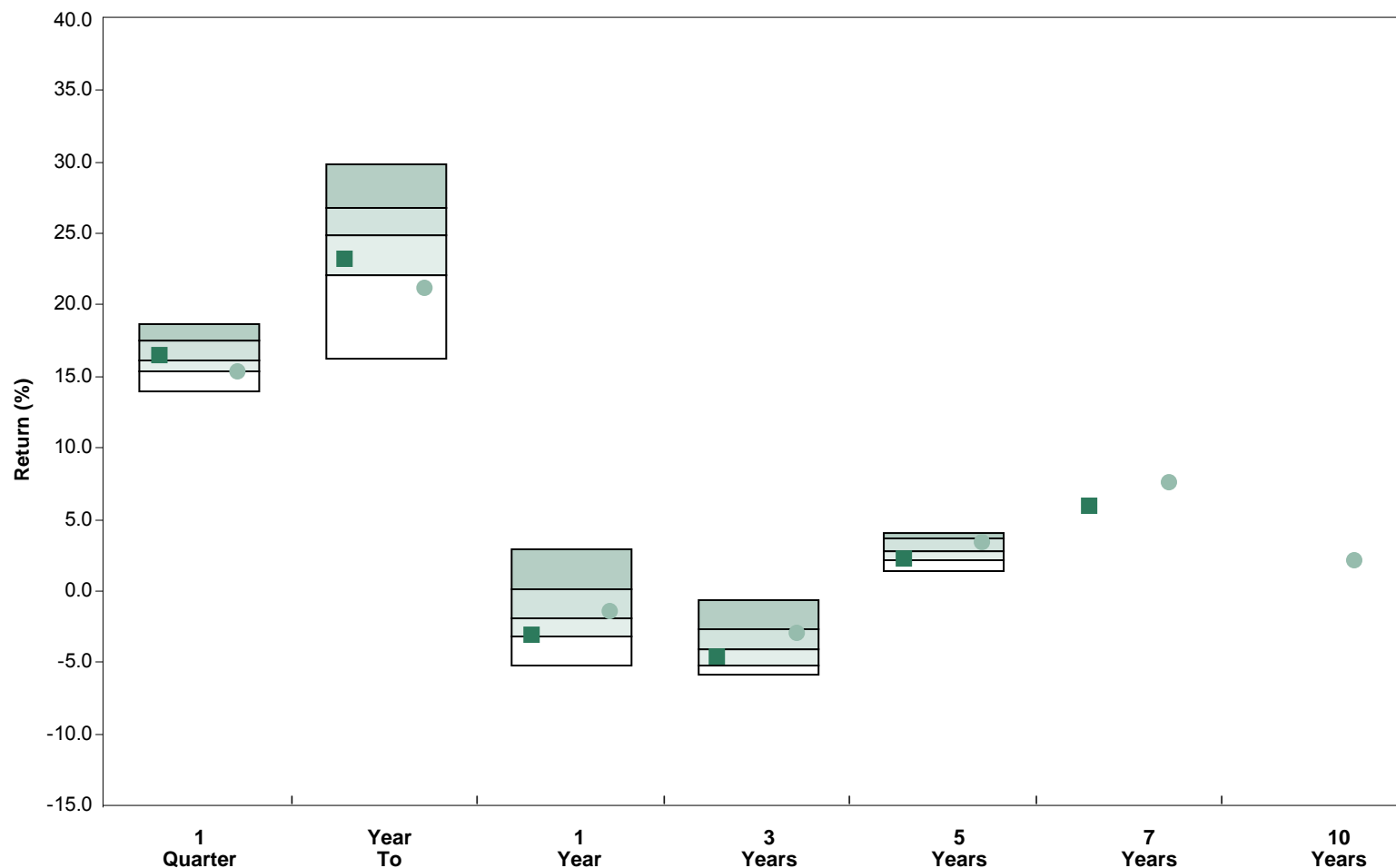
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Lifetime 2040

## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)

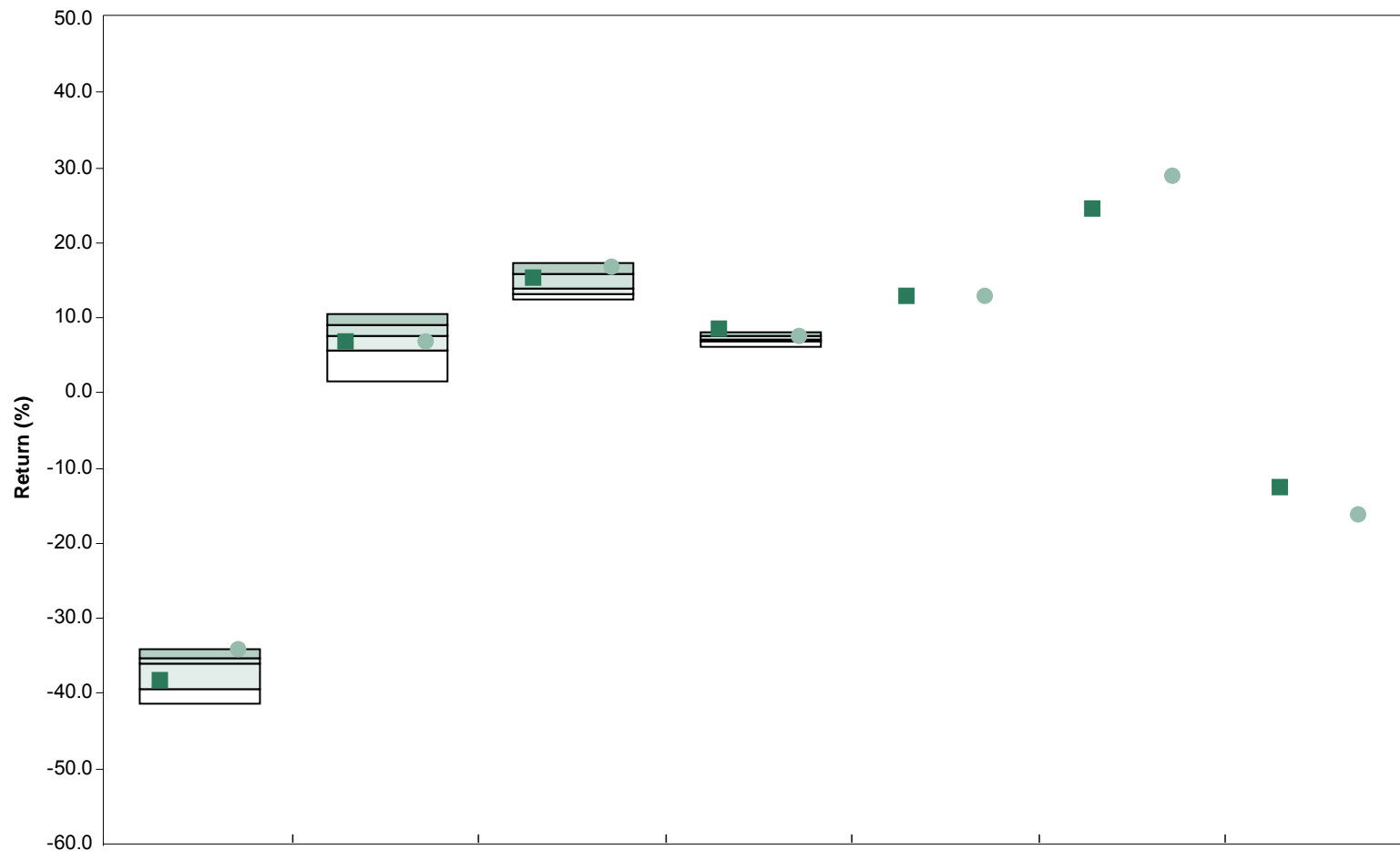


Principal Lifetime 2040	16.52 (41)	23.29 (62)	-3.03 (70)	-4.58 (61)	2.22 (71)	5.97 (N/A)	N/A
13.5 LBAgg / 61.8 R3000 / 24.7 EAFE Net	15.33 (75)	21.17 (90)	-1.36 (40)	-2.91 (32)	3.38 (38)	7.59 (N/A)	2.16 (N/A)
5th Percentile	18.63	29.78	2.88	-0.67	4.05	N/A	N/A
1st Quartile	17.46	26.82	0.13	-2.72	3.70	N/A	N/A
Median	16.10	24.92	-1.90	-4.11	2.83	N/A	N/A
3rd Quartile	15.31	22.11	-3.15	-5.22	2.11	N/A	N/A
95th Percentile	13.91	16.26	-5.25	-5.81	1.41	N/A	N/A

# Principal Lifetime 2040

City of Rockville  
September 30, 2009

## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)

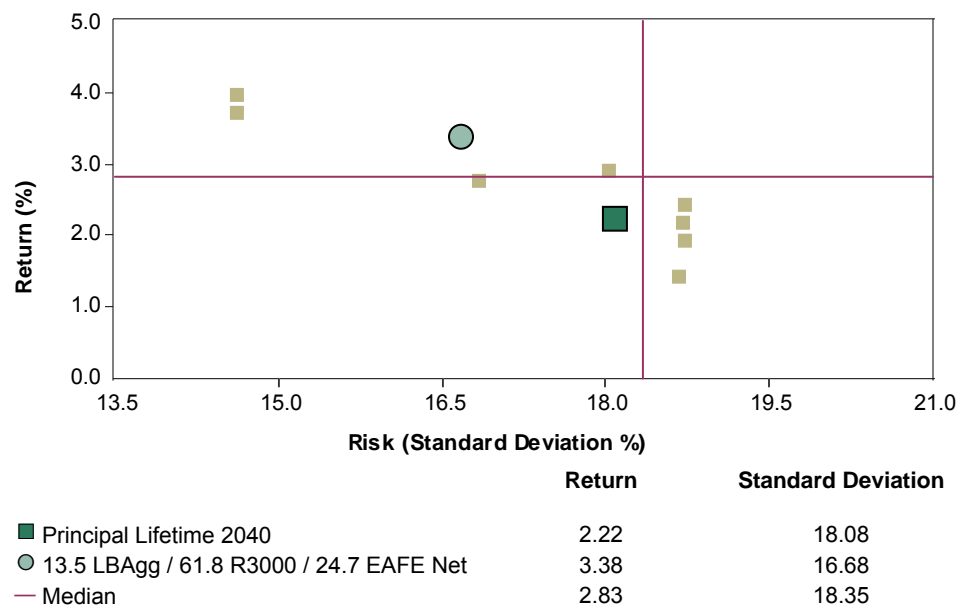


■ Principal Lifetime 2040	-38.20 (65)	6.79 (57)	15.44 (27)	8.68 (3)	12.86 (N/A)	24.48 (N/A)	-12.59 (N/A)
● 13.5 LBAGG / 61.8 R3000 / 24.7 EAFE Net	-34.07 (7)	6.95 (55)	16.69 (16)	7.51 (37)	12.93 (N/A)	29.01 (N/A)	-16.10 (N/A)
5th Percentile	-34.05	10.47	17.37	8.15	N/A	N/A	N/A
1st Quartile	-35.25	9.04	15.95	7.70	N/A	N/A	N/A
Median	-36.09	7.49	13.96	7.22	N/A	N/A	N/A
3rd Quartile	-39.32	5.72	13.13	6.91	N/A	N/A	N/A
95th Percentile	-41.34	1.50	12.40	6.19	N/A	N/A	N/A

## Historical Statistics (10/01/04 - 09/30/09) \*

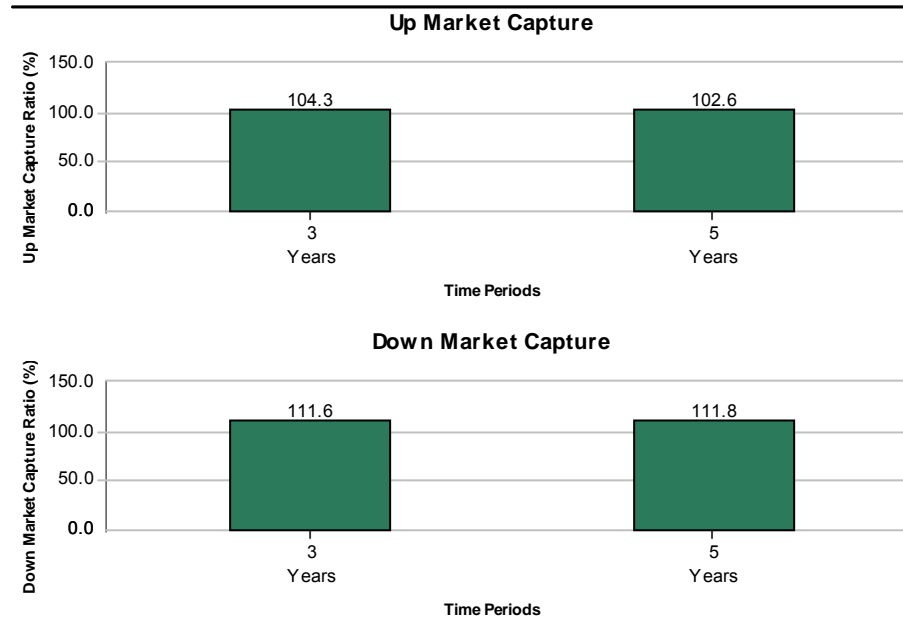
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2040	2.22	18.08	0.05	-1.23	1.08	0.99	2.13	-0.40	18.07	04/01/2001
13.5 LBAG / 61.8 R3000 / 24.7 EAFE Net	3.38	16.68	0.11	0.00	1.00	1.00	0.00	N/A	16.66	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.00	16.66	-0.11	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



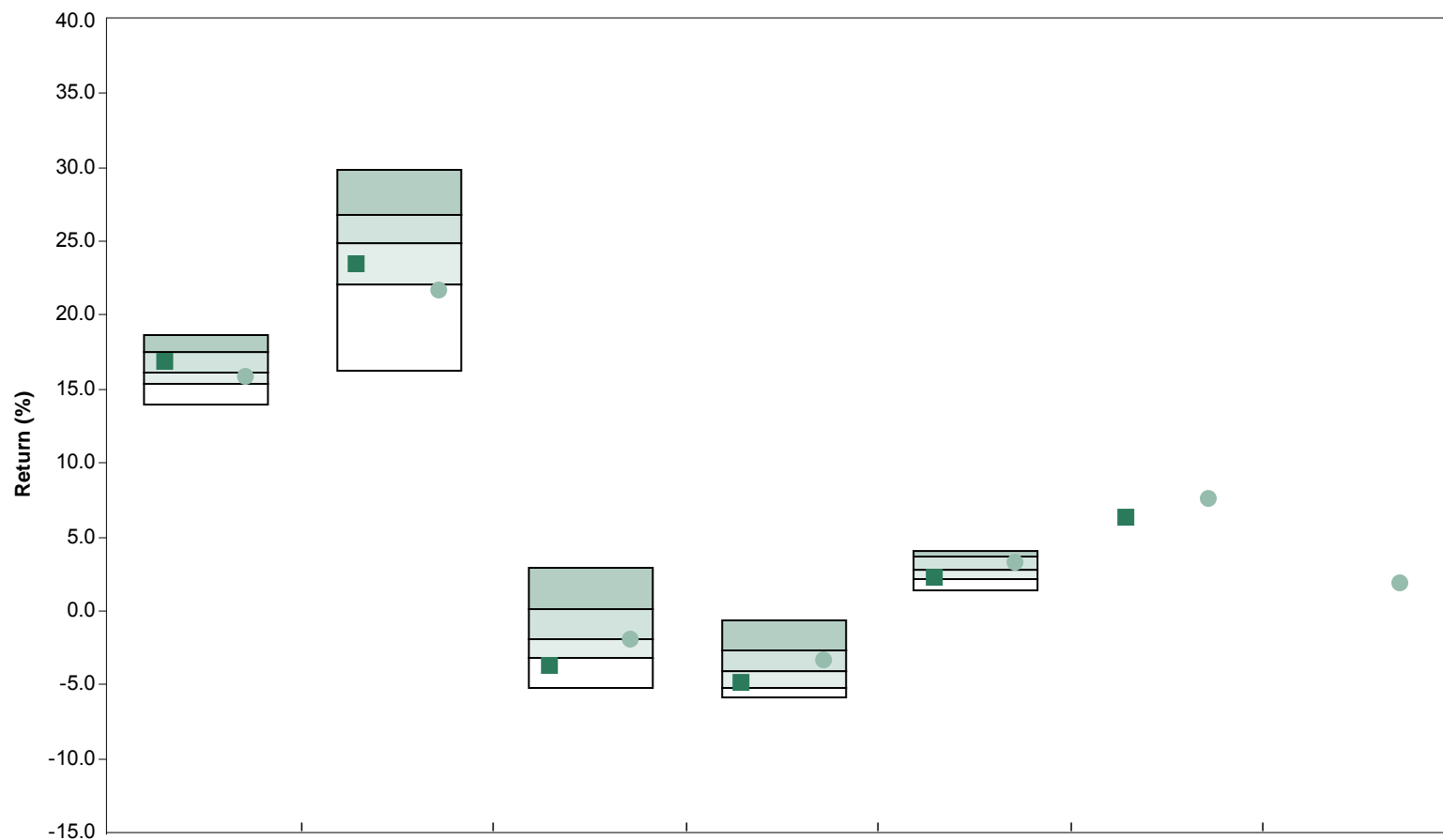
\* Quarterly periodicity used.

## Up Down Market Capture



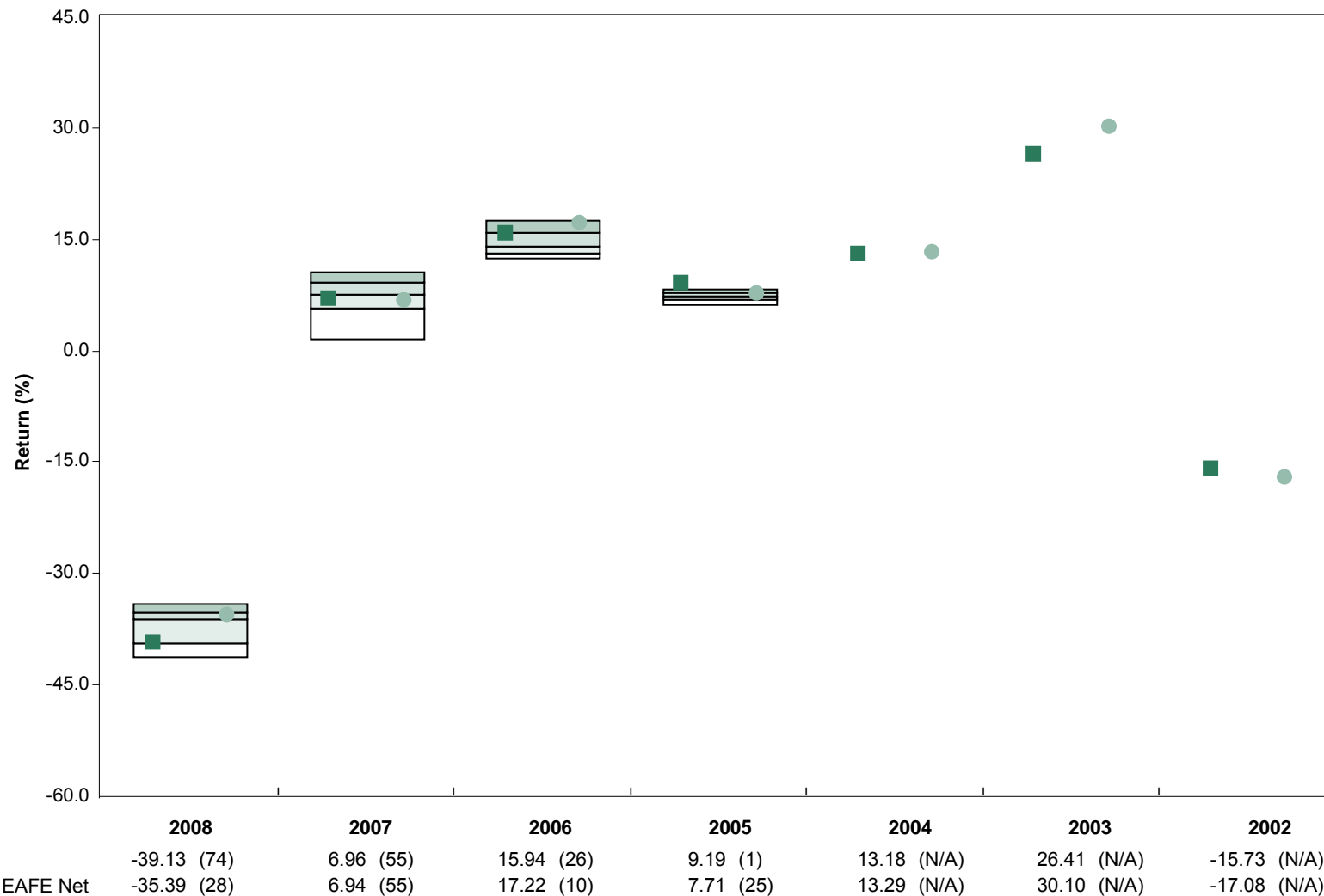
# Principal Lifetime 2050

## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



■ Principal Lifetime 2050	16.90 (35)	23.44 (62)	-3.73 (85)	-4.87 (69)	2.26 (70)	6.30 (N/A)	N/A
● 10.0 LBAgg / 64.2 R3000 / 25.8 EAFE Net	15.82 (65)	21.77 (81)	-1.94 (52)	-3.33 (40)	3.26 (40)	7.66 (N/A)	1.95 (N/A)
5th Percentile	18.63	29.78	2.88	-0.67	4.05	N/A	N/A
1st Quartile	17.46	26.82	0.13	-2.72	3.70	N/A	N/A
Median	16.10	24.92	-1.90	-4.11	2.83	N/A	N/A
3rd Quartile	15.31	22.11	-3.15	-5.22	2.11	N/A	N/A
95th Percentile	13.91	16.26	-5.25	-5.81	1.41	N/A	N/A

## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



5th Percentile  
1st Quartile  
Median  
3rd Quartile  
95th Percentile

-34.05  
-35.25  
-36.09  
-39.32  
-41.34

10.47  
9.04  
7.49  
5.72  
1.50

17.37  
15.95  
13.96  
13.13  
12.40

8.15  
7.70  
7.22  
6.91  
6.19

N/A  
N/A  
N/A  
N/A  
N/A

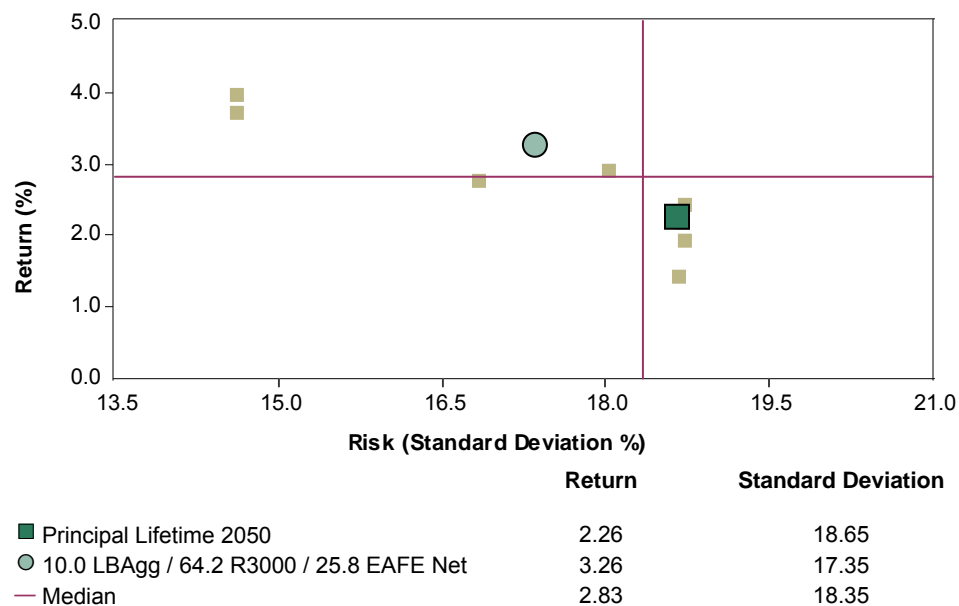
N/A  
N/A  
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N/A  
N/A

N/A  
N/A  
N/A  
N/A  
N/A

## Historical Statistics (10/01/04 - 09/30/09) \*

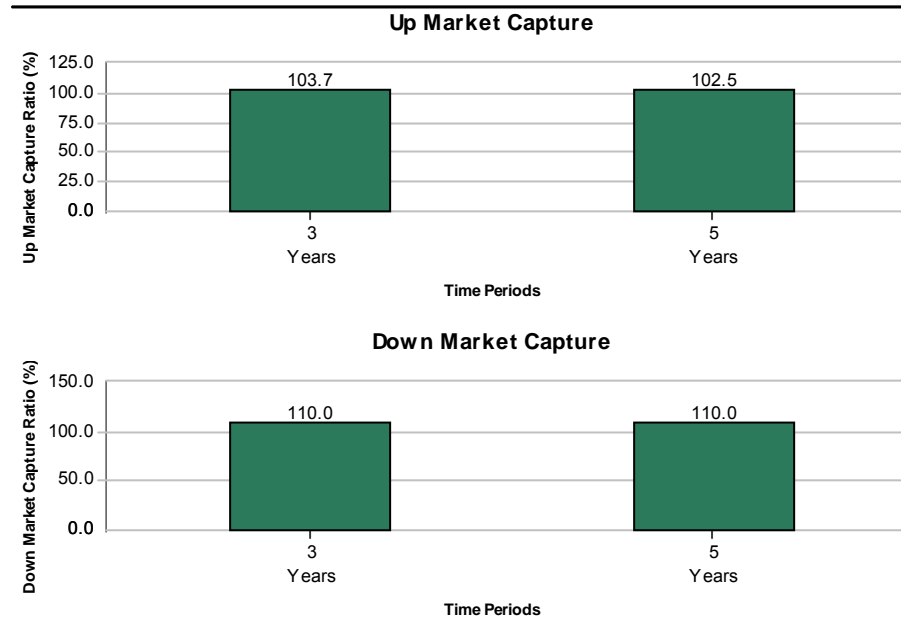
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2050	2.26	18.65	0.06	-1.06	1.07	0.99	2.02	-0.36	18.64	01/01/2002
10.0 LBAG / 64.2 R3000 / 25.8 EAFE Net	3.26	17.35	0.10	0.00	1.00	1.00	0.00	N/A	17.34	01/01/2002
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.00	17.34	-0.10	0.00	01/01/2002

## Peer Group Scattergram (10/01/04 to 09/30/09)



\* Quarterly periodicity used.

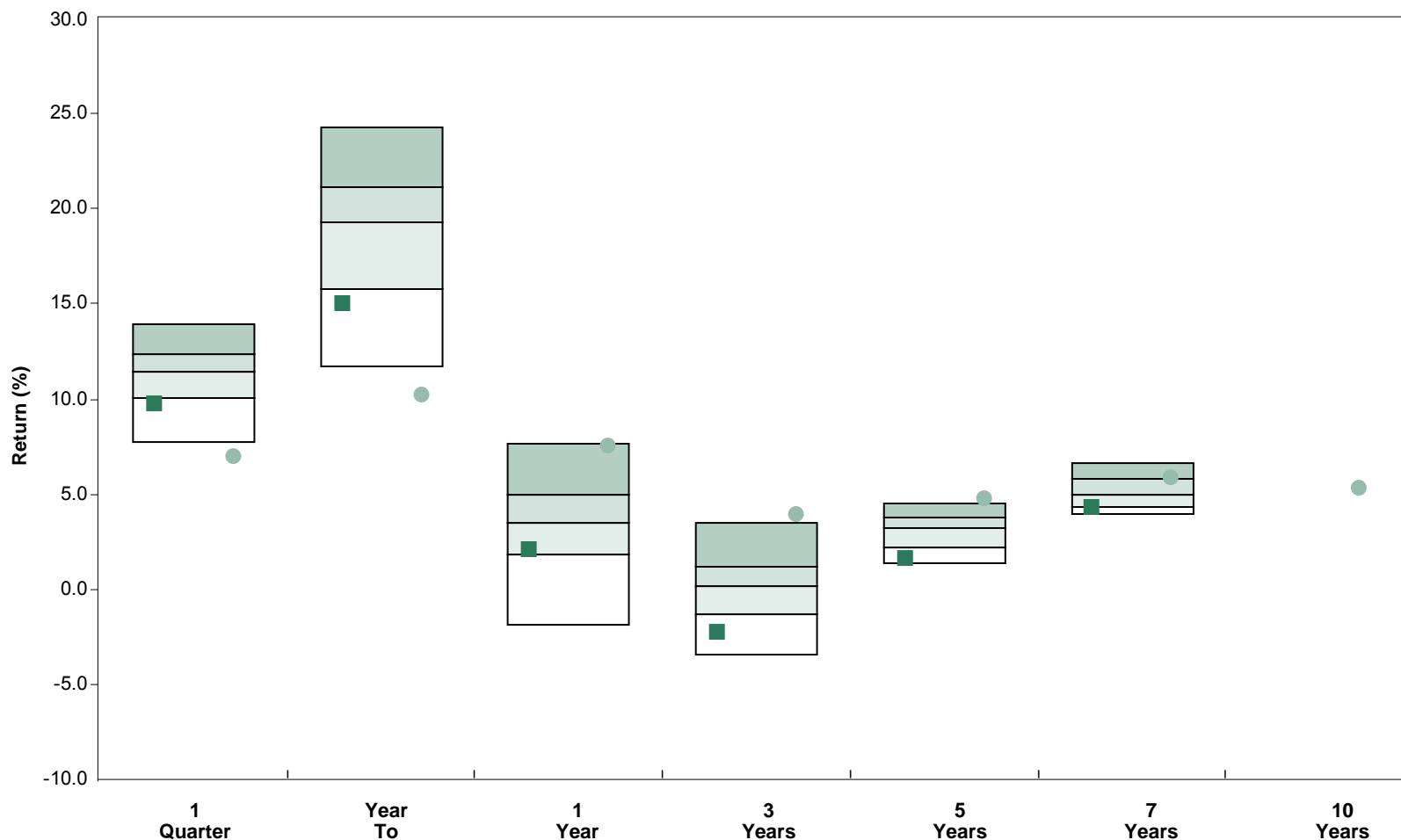
## Up Down Market Capture





# Principal Lifetime Strategic Income

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)

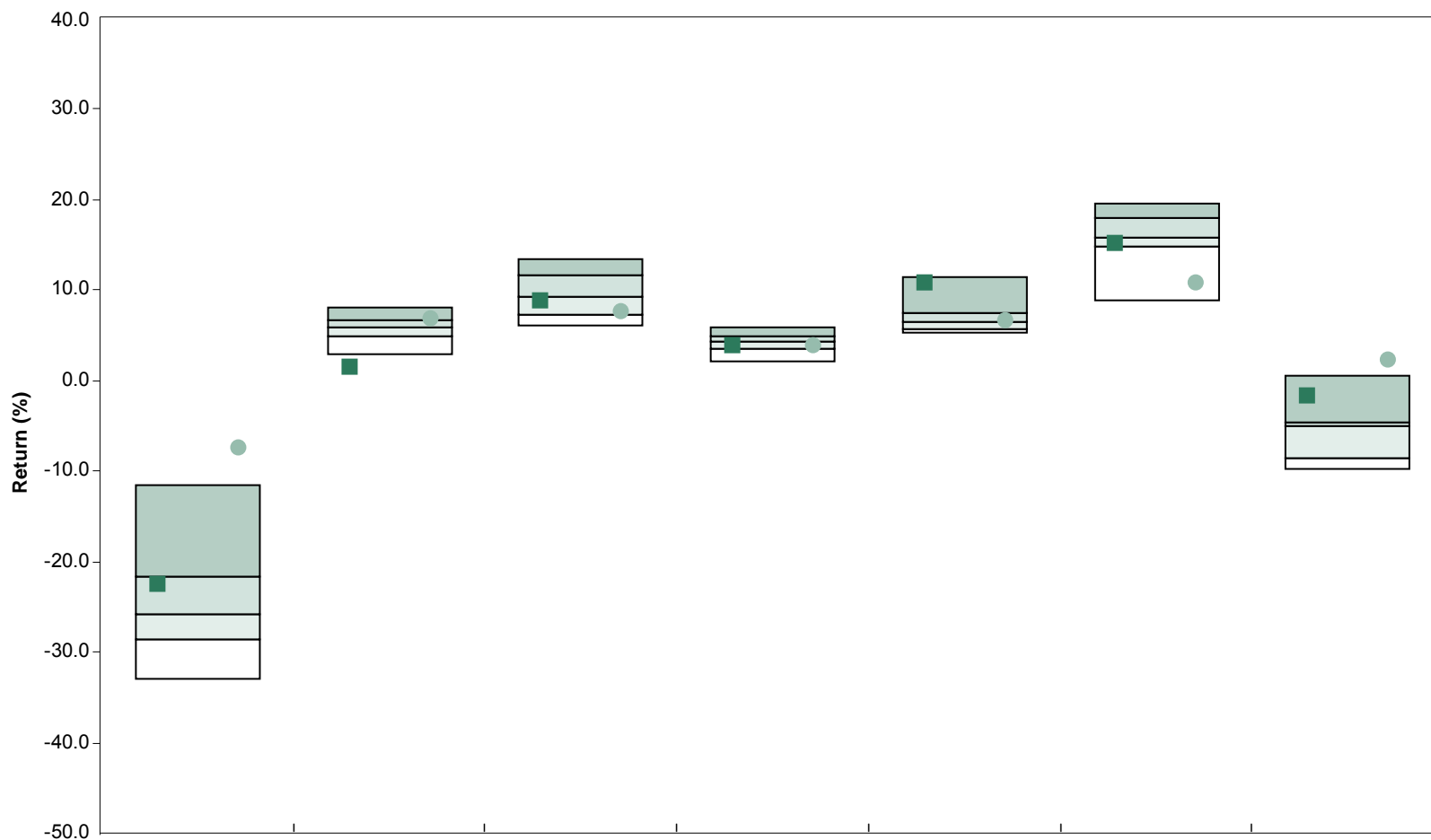


■ Principal Lifetime Strategic Income  
● 75 BC Agg / 10 R3000 / 6 EAFE Net

5th Percentile	13.92	24.28	7.65	3.45	4.50	6.61	N/A
1st Quartile	12.37	21.11	4.94	1.22	3.81	5.75	N/A
Median	11.42	19.25	3.46	0.20	3.19	4.96	N/A
3rd Quartile	10.02	15.79	1.87	-1.32	2.18	4.35	N/A
95th Percentile	7.72	11.71	-1.85	-3.46	1.37	3.98	N/A

# Principal Lifetime Strategic Income

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)

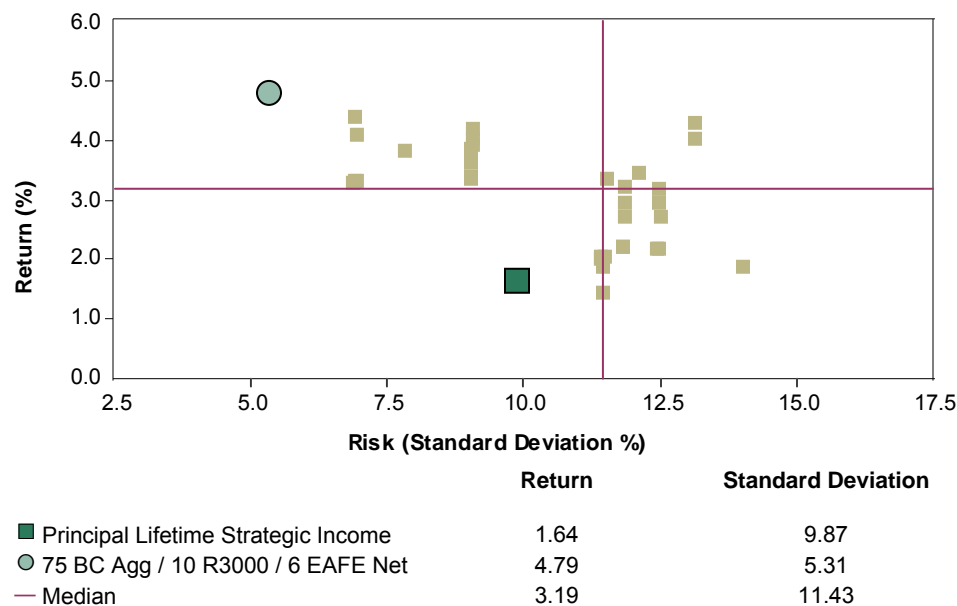


	2008	2007	2006	2005	2004	2003	2002
Principal Lifetime Strategic Income	-22.42 (30)	1.59 (100)	8.94 (56)	3.95 (70)	10.91 (16)	15.29 (67)	-1.70 (8)
75 BC Agg / 10 R3000 / 6 EAFE Net	-7.47 (1)	6.98 (21)	7.71 (70)	3.86 (71)	6.73 (46)	10.87 (89)	2.24 (4)
5th Percentile	-11.59	8.11	13.34	5.82	11.37	19.53	0.47
1st Quartile	-21.58	6.74	11.68	5.00	7.47	18.06	-4.57
Median	-25.81	5.84	9.35	4.31	6.56	15.82	-5.07
3rd Quartile	-28.64	5.00	7.37	3.57	5.68	14.92	-8.65
95th Percentile	-32.90	2.89	6.14	2.12	5.39	8.92	-9.72

## Historical Statistics (10/01/04 - 09/30/09) \*

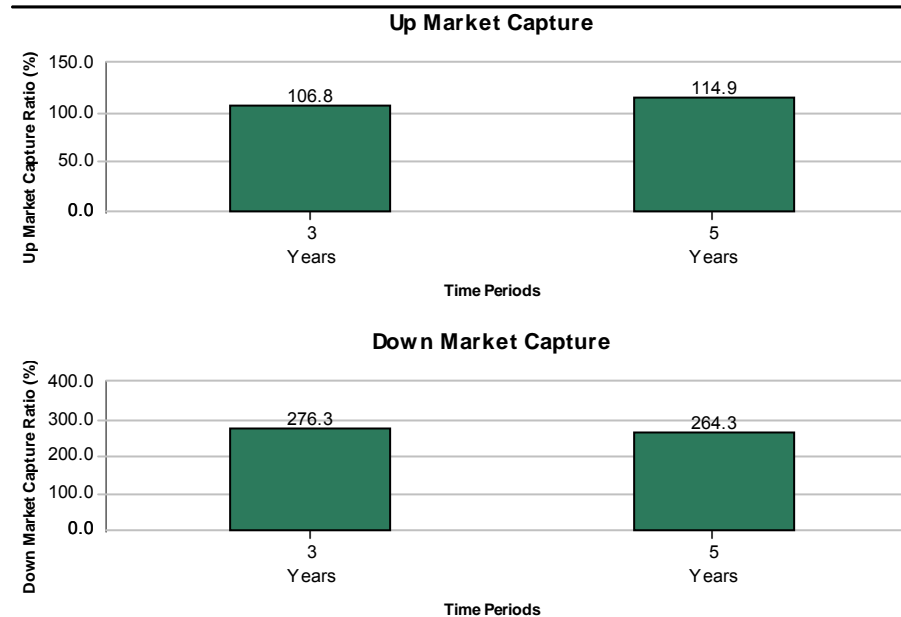
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime Strategic Income	1.64	9.87	-0.09	-6.24	1.72	0.86	5.31	-0.51	9.91	04/01/2001
75 BC Agg / 10 R3000 / 6 EAFE Net	4.79	5.31	0.35	0.00	1.00	1.00	0.00	N/A	5.35	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.97	0.01	0.00	5.35	-0.35	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



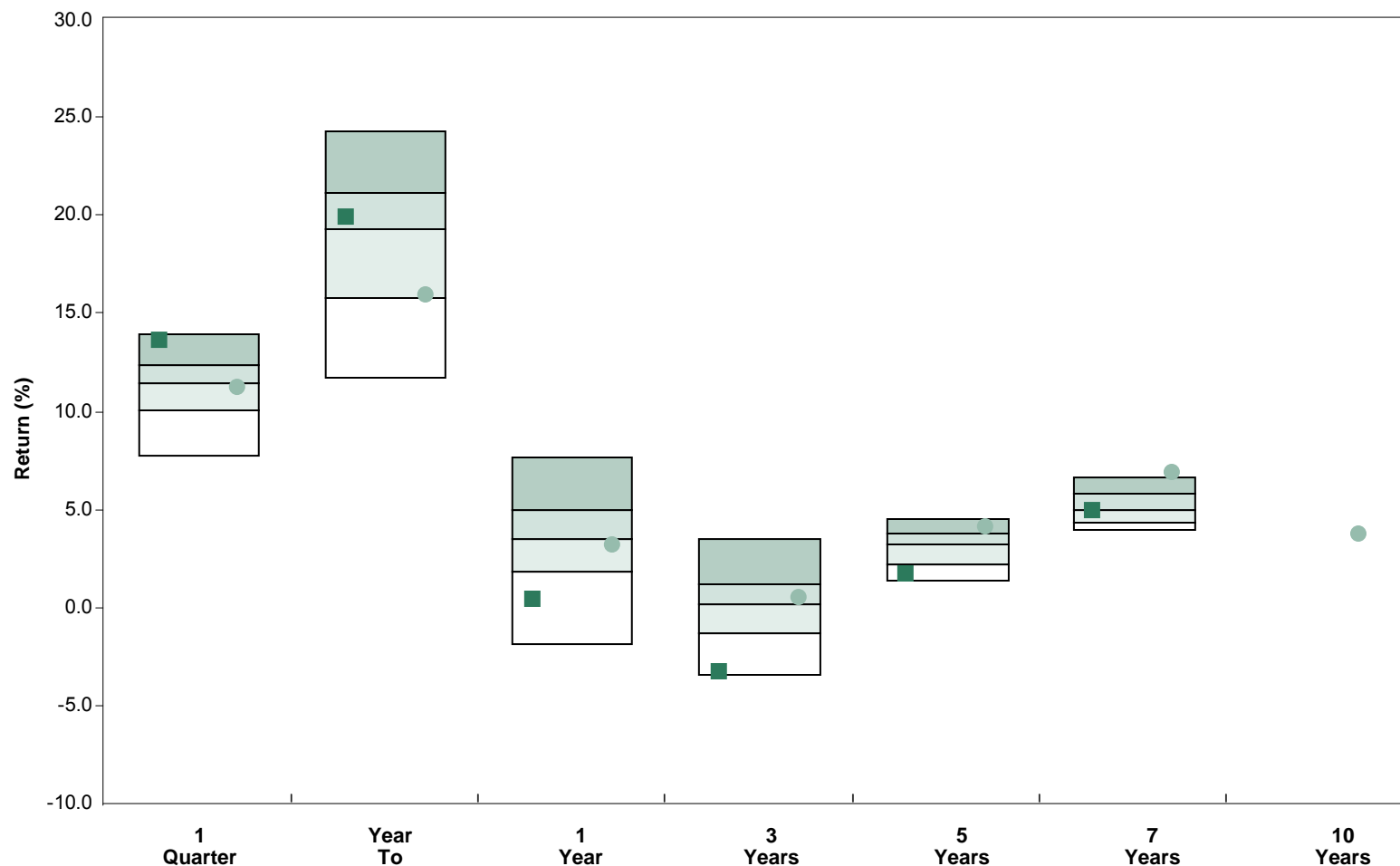
\* Quarterly periodicity used.

## Up Down Market Capture



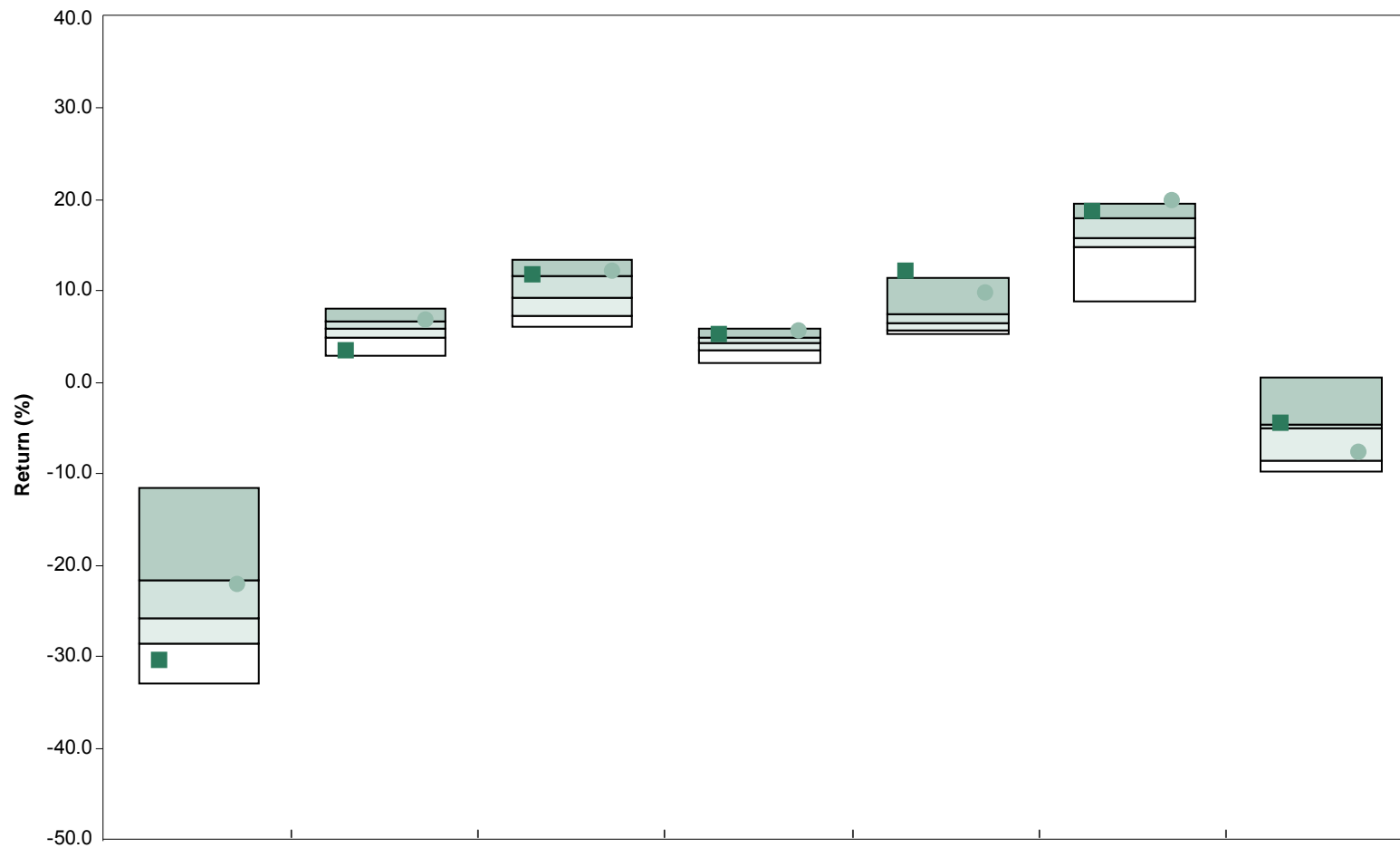
# Principal Lifetime 2010

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



Principal Lifetime 2010	13.62 (13)	19.95 (37)	0.40 (85)	-3.28 (95)	1.72 (88)	4.92 (52)	N/A
43 BC Agg / 41.9 R3000 / 15.1 EAFE Net	11.26 (53)	15.98 (74)	3.16 (55)	0.50 (42)	4.16 (12)	6.86 (4)	3.79 (N/A)
5th Percentile	13.92	24.28	7.65	3.45	4.50	6.61	N/A
1st Quartile	12.37	21.11	4.94	1.22	3.81	5.75	N/A
Median	11.42	19.25	3.46	0.20	3.19	4.96	N/A
3rd Quartile	10.02	15.79	1.87	-1.32	2.18	4.35	N/A
95th Percentile	7.72	11.71	-1.85	-3.46	1.37	3.98	N/A

## Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



■ Principal Lifetime 2010

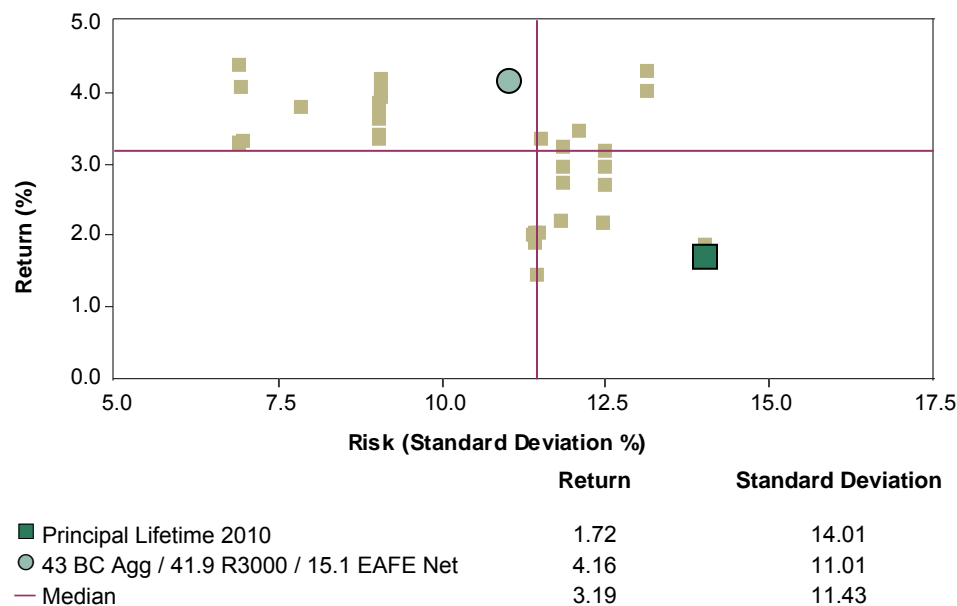
● 43 BC Agg / 41.9 R3000 / 15.1 EAFE Net

5th Percentile	-11.59	8.11	13.34	5.82	11.37	19.53	0.47
1st Quartile	-21.58	6.74	11.68	5.00	7.47	18.06	-4.57
Median	-25.81	5.84	9.35	4.31	6.56	15.82	-5.07
3rd Quartile	-28.64	5.00	7.37	3.57	5.68	14.92	-8.65
95th Percentile	-32.90	2.89	6.14	2.12	5.39	8.92	-9.72

## Historical Statistics (10/01/04 - 09/30/09) \*

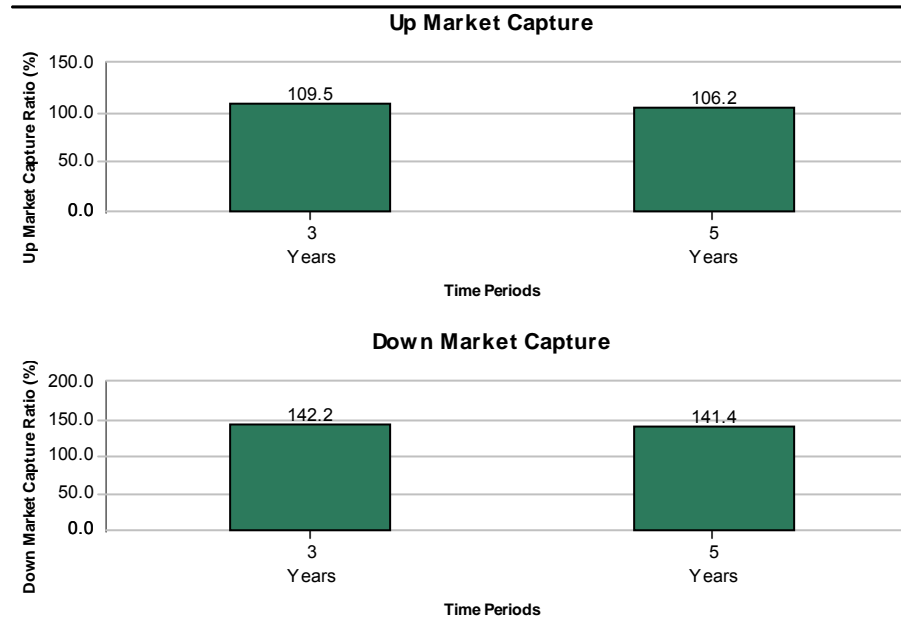
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2010	1.72	14.01	-0.02	-3.25	1.26	0.98	3.37	-0.59	14.03	04/01/2001
43 BC Agg / 41.9 R3000 / 15.1 EAFE Net	4.16	11.01	0.16	0.00	1.00	1.00	0.00	N/A	11.00	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	11.00	-0.16	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



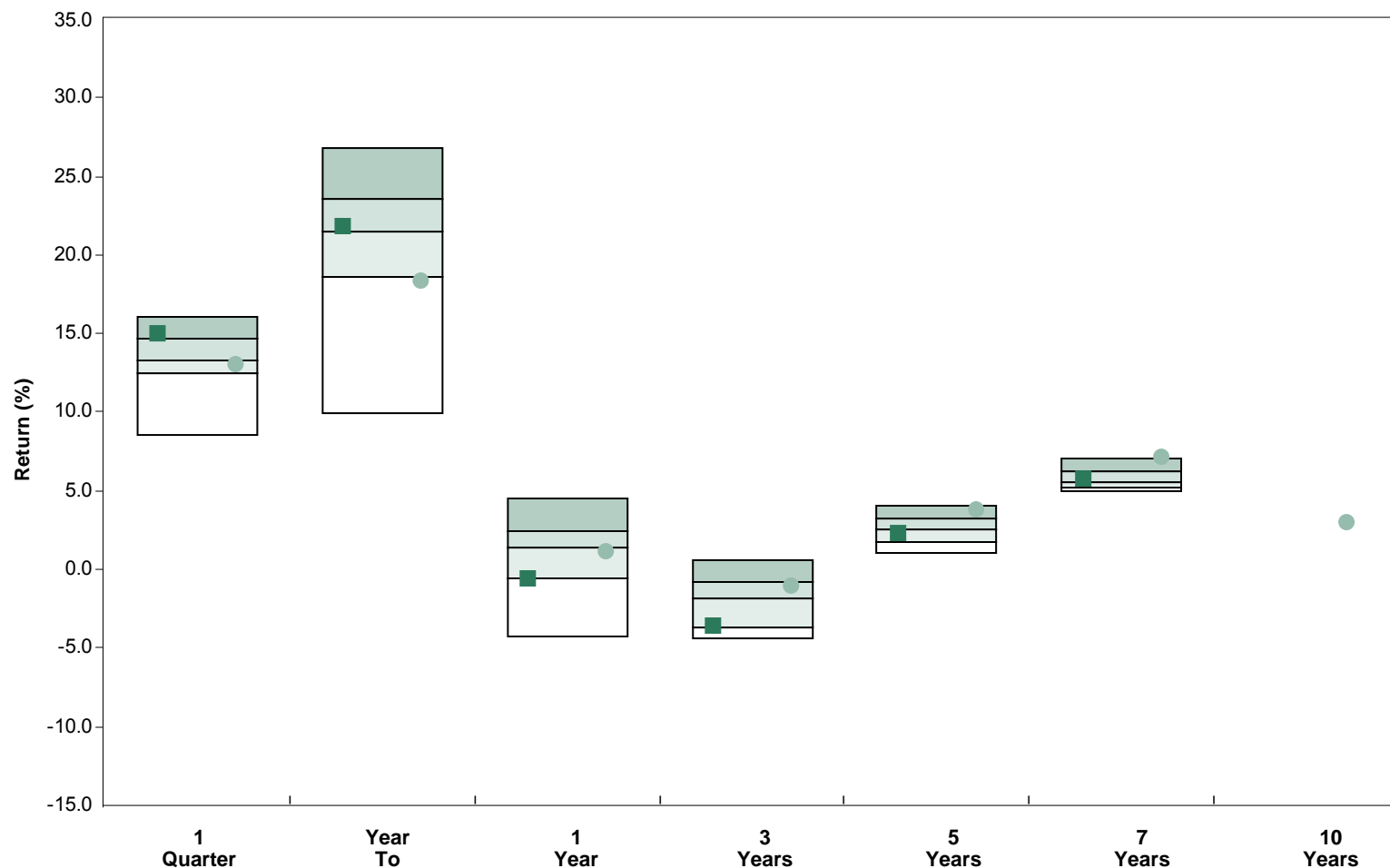
\* Quarterly periodicity used.

## Up Down Market Capture



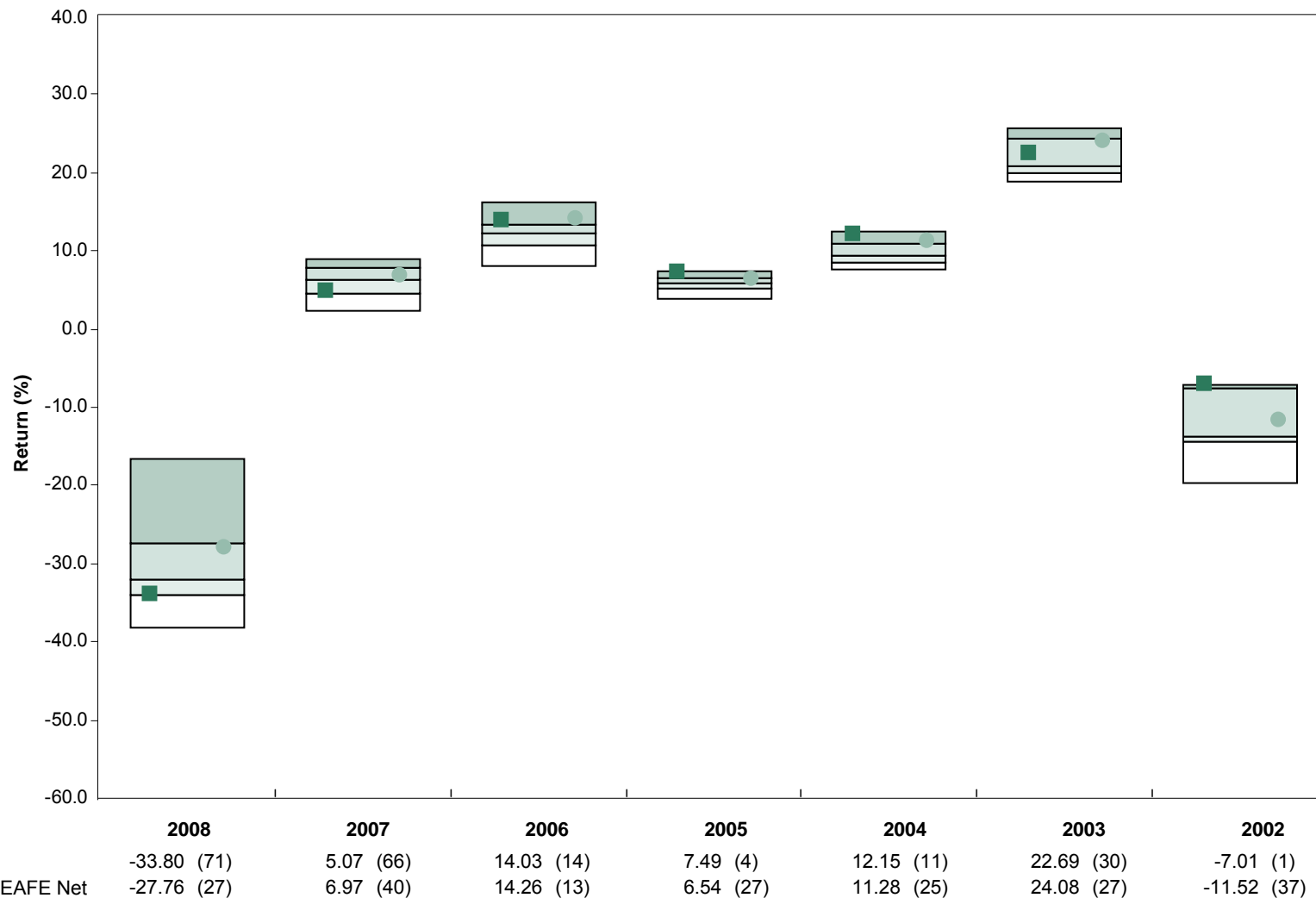
# Principal Lifetime 2020

## Peer Group Analysis - Mixed-Asset Target 2020 Funds (MF)



Principal Lifetime 2020	15.06 (17)	21.84 (42)	-0.54 (76)	-3.60 (73)	2.35 (52)	5.76 (45)	N/A
29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net	13.11 (56)	18.38 (79)	1.16 (56)	-1.03 (32)	3.83 (9)	7.22 (5)	3.07 (N/A)
5th Percentile	16.12	26.79	4.51	0.57	4.05	7.02	N/A
1st Quartile	14.65	23.61	2.39	-0.82	3.19	6.20	N/A
Median	13.26	21.49	1.45	-1.79	2.51	5.56	N/A
3rd Quartile	12.51	18.65	-0.51	-3.69	1.78	5.23	N/A
95th Percentile	8.57	9.98	-4.28	-4.37	1.04	5.03	N/A

## Peer Group Analysis - Mixed-Asset Target 2020 Funds (MF)



5th Percentile  
1st Quartile  
Median  
3rd Quartile  
95th Percentile

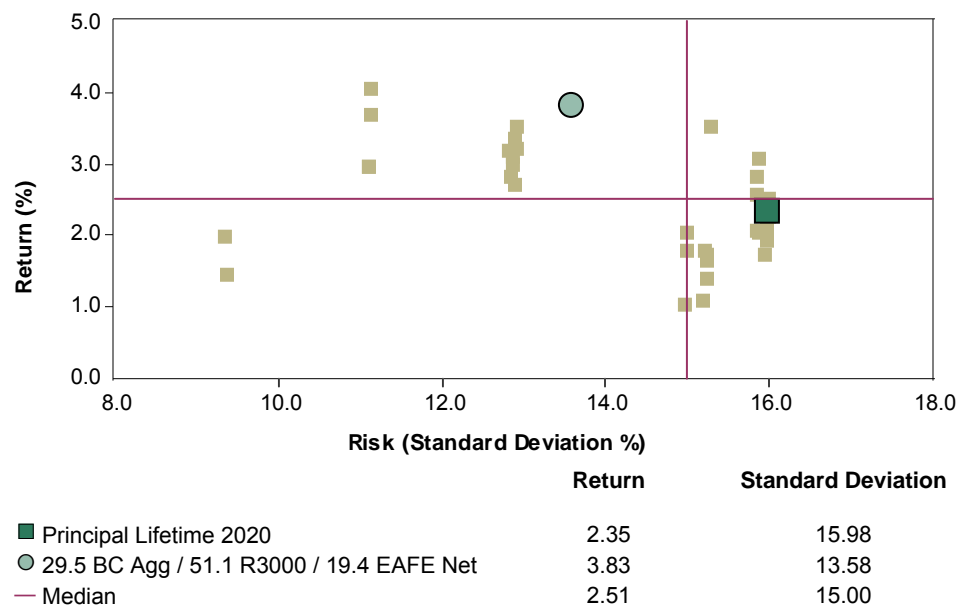
5th Percentile	-16.53	8.86	16.18	7.30	12.43	25.73	-7.19
1st Quartile	-27.47	7.80	13.32	6.62	10.92	24.45	-7.68
Median	-31.95	6.23	12.25	5.94	9.34	20.73	-13.71
3rd Quartile	-34.03	4.64	10.66	5.14	8.51	19.92	-14.50
95th Percentile	-38.25	2.26	8.11	3.78	7.52	18.87	-19.60



## Historical Statistics (10/01/04 - 09/30/09) \*

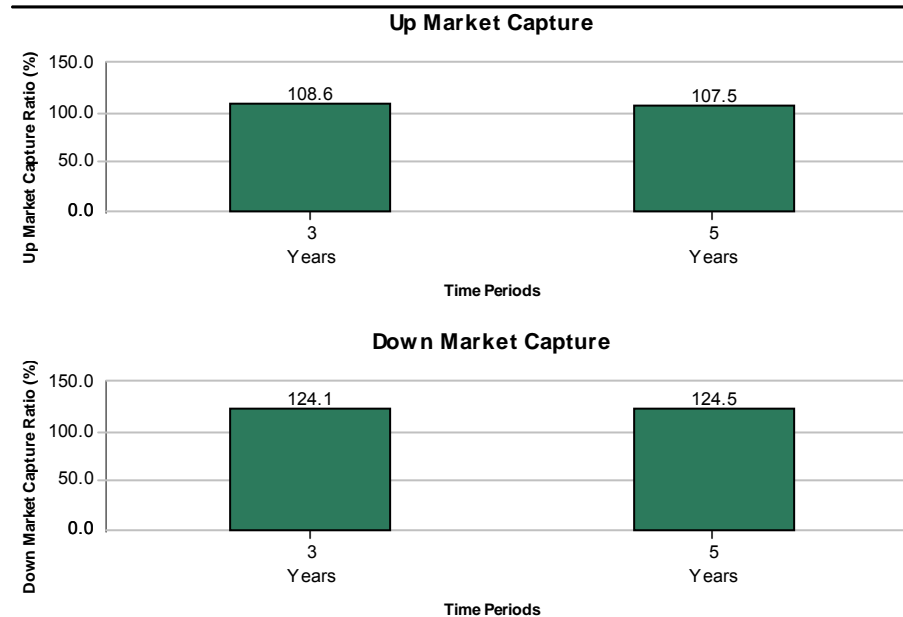
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2020	2.35	15.98	0.04	-1.88	1.17	0.99	2.81	-0.38	15.99	04/01/2001
29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net	3.83	13.58	0.13	0.00	1.00	1.00	0.00	N/A	13.57	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	13.57	-0.13	0.00	04/01/2001

## Peer Group Scattergram (10/01/04 to 09/30/09)



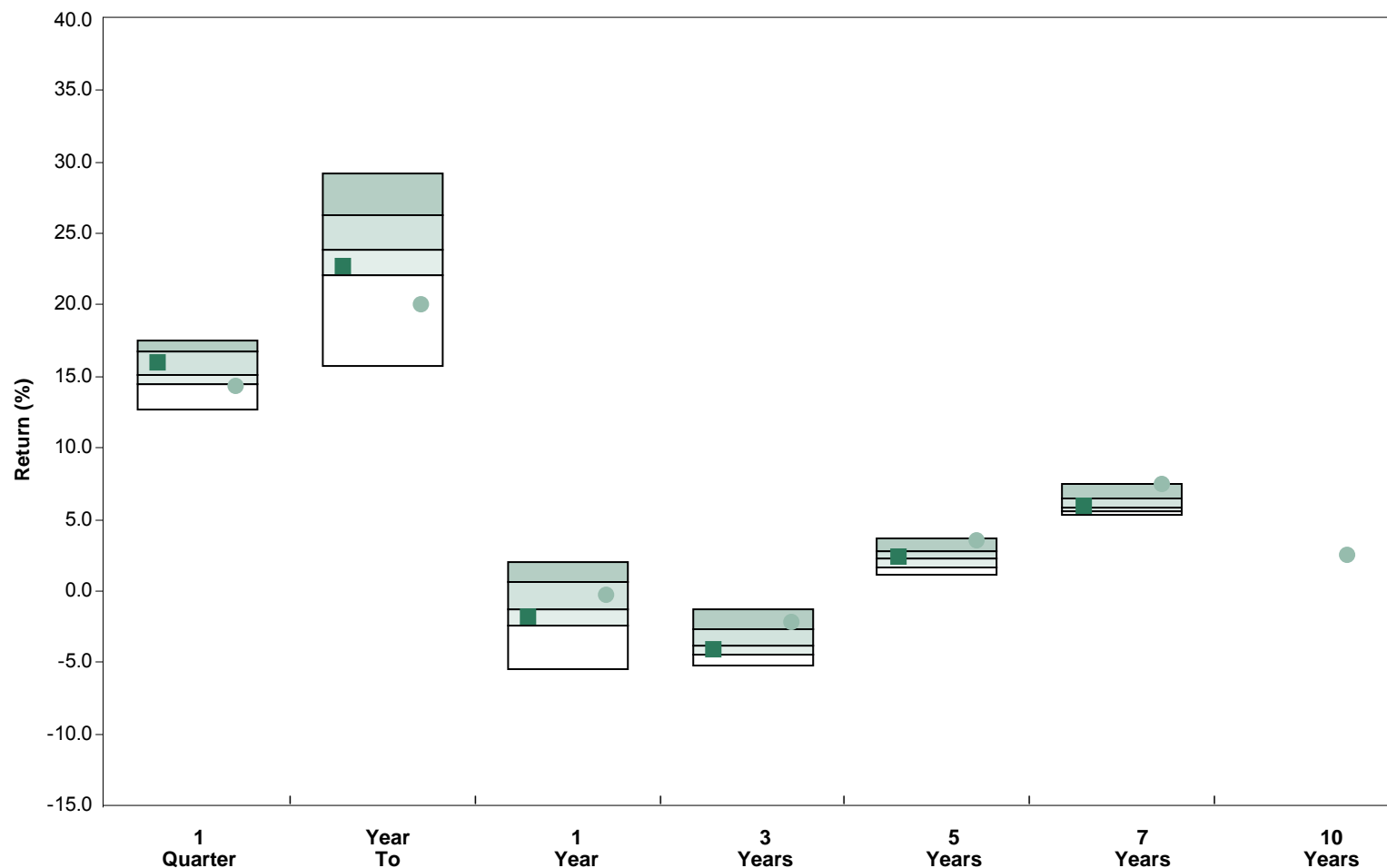
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Lifetime 2030

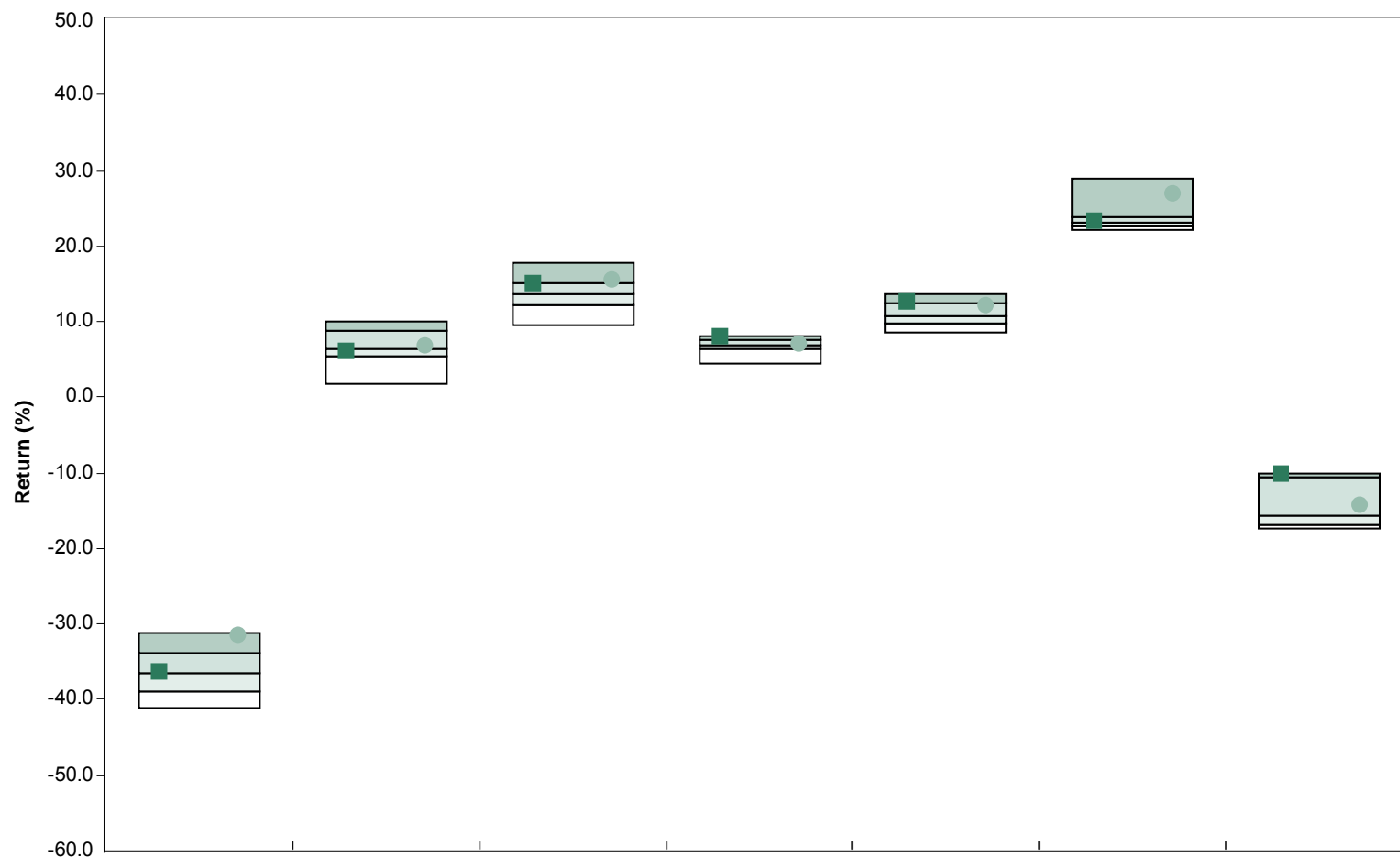
## Peer Group Analysis - Mixed-Asset Target 2030 Funds (MF)



Principal Lifetime 2030	16.00 (38)	22.77 (65)	-1.75 (61)	-4.11 (59)	2.35 (44)	5.91 (45)	N/A
20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	14.40 (77)	20.01 (91)	-0.28 (35)	-2.11 (17)	3.58 (7)	7.44 (6)	2.55 (N/A)
5th Percentile	17.58	29.19	2.03	-1.26	3.63	7.48	N/A
1st Quartile	16.81	26.29	0.61	-2.67	2.81	6.53	N/A
Median	15.06	23.82	-1.24	-3.86	2.26	5.82	N/A
3rd Quartile	14.45	22.15	-2.46	-4.49	1.69	5.61	N/A
95th Percentile	12.64	15.78	-5.49	-5.22	1.14	5.31	N/A

# Principal Lifetime 2030

## Peer Group Analysis - Mixed-Asset Target 2030 Funds (MF)

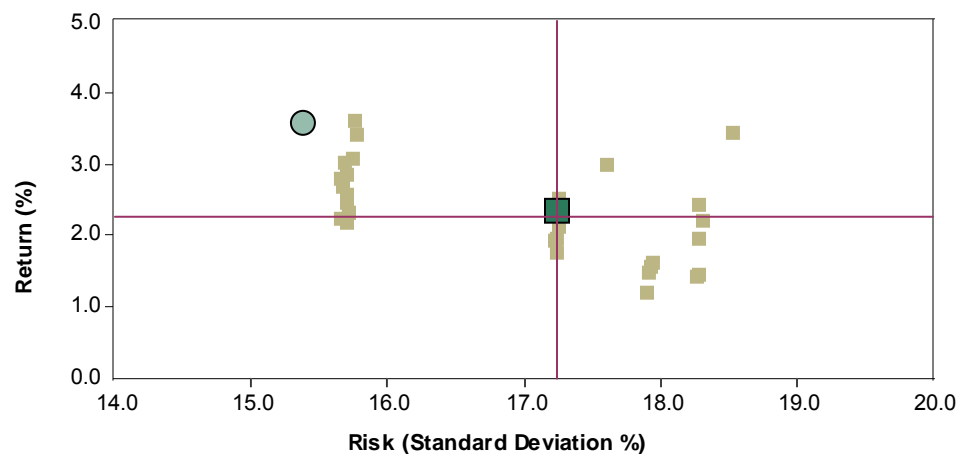


■ Principal Lifetime 2030	-36.36 (49)	6.10 (57)	15.13 (24)	8.20 (5)	12.69 (15)	23.33 (46)	-10.05 (1)
● 20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	-31.48 (9)	6.97 (46)	15.67 (17)	7.11 (44)	12.24 (30)	26.93 (11)	-14.19 (48)
5th Percentile	-31.21	9.92	17.66	8.16	13.75	28.89	-10.19
1st Quartile	-33.87	8.77	15.07	7.56	12.46	23.87	-10.46
Median	-36.51	6.44	13.75	6.98	10.71	23.07	-15.70
3rd Quartile	-39.00	5.39	12.28	6.48	9.75	22.65	-16.99
95th Percentile	-41.07	1.86	9.66	4.53	8.68	22.26	-17.36

## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2030	2.35	17.24	0.05	-1.42	1.12	0.99	2.41	-0.36	17.24	04/01/2001
20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	3.58	15.38	0.11	0.00	1.00	1.00	0.00	N/A	15.37	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.98	0.00	0.00	15.37	-0.11	0.00	04/01/2001

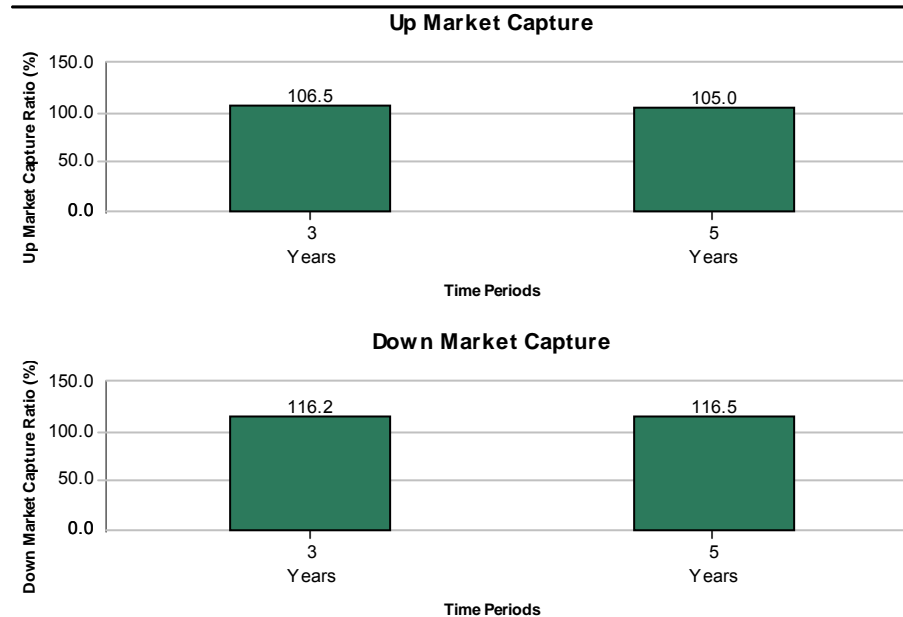
## Peer Group Scattergram (10/01/04 to 09/30/09)



	Return	Standard Deviation
Principal Lifetime 2030	2.35	17.24
20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	3.58	15.38
Median	2.26	17.24

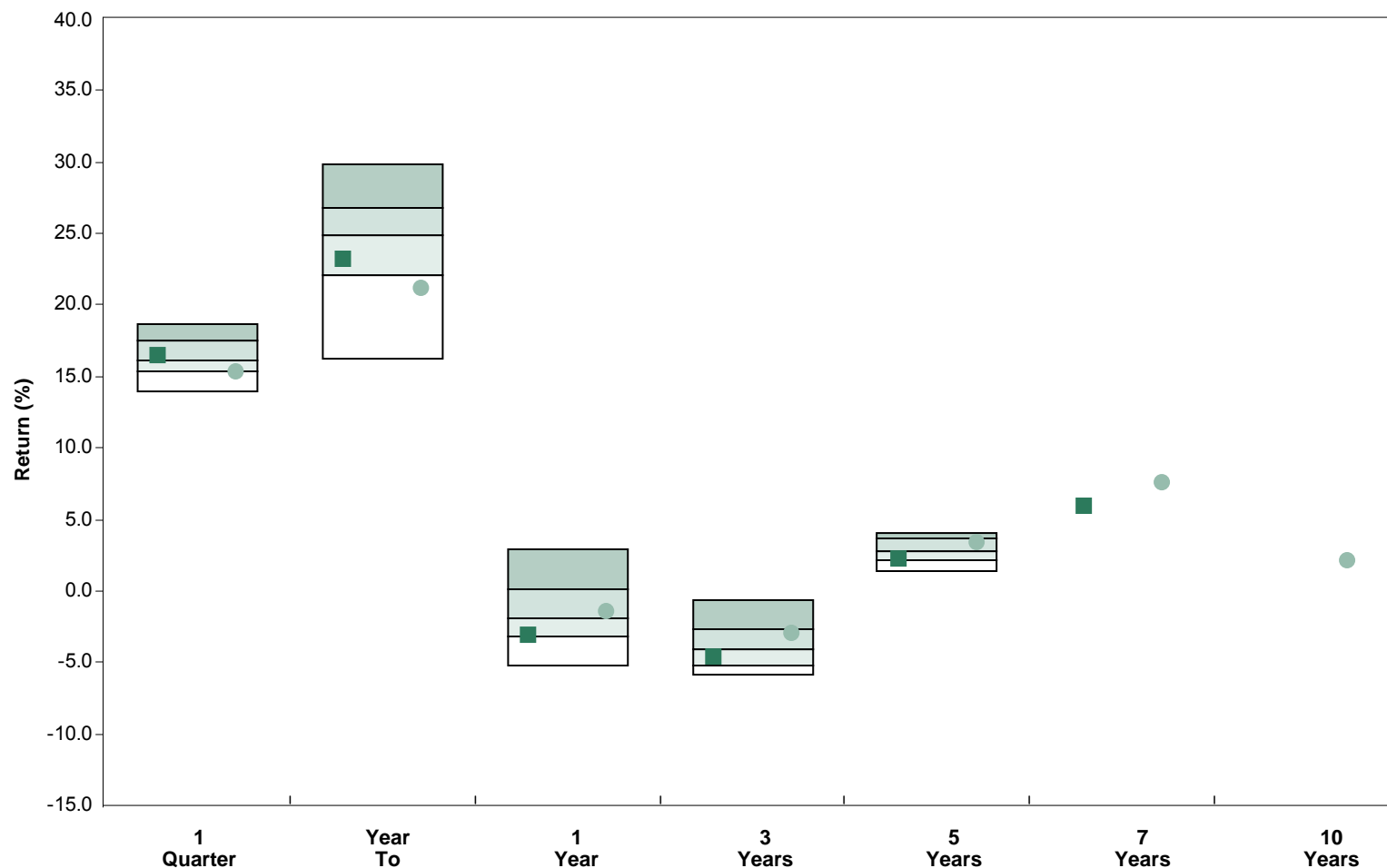
\* Quarterly periodicity used.

## Up Down Market Capture



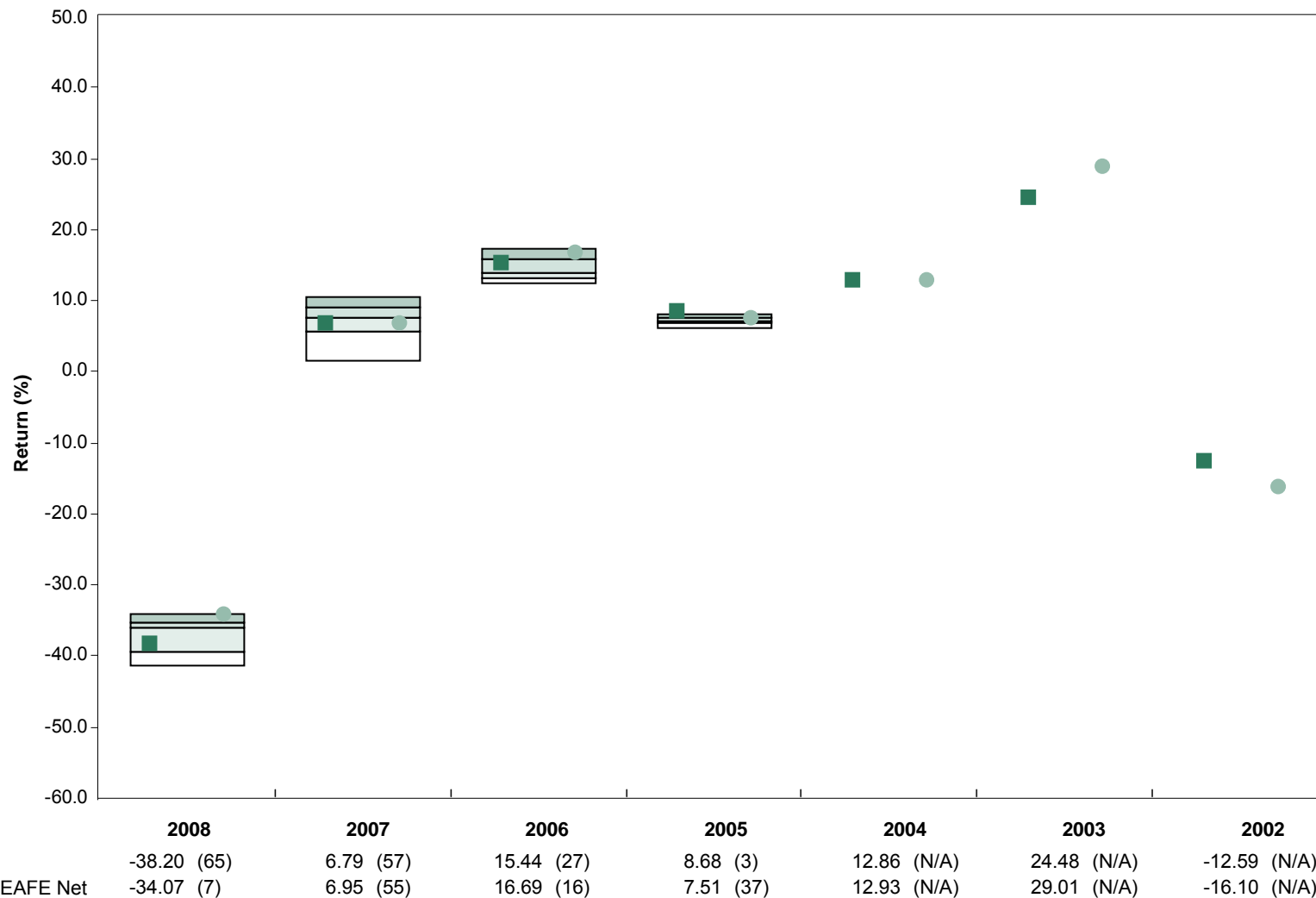
# Principal Lifetime 2040

## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



■ Principal Lifetime 2040	16.52 (41)	23.29 (62)	-3.03 (70)	-4.58 (61)	2.22 (71)	5.97 (N/A)	N/A
● 13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	15.33 (75)	21.17 (90)	-1.36 (40)	-2.91 (32)	3.38 (38)	7.59 (N/A)	2.16 (N/A)
5th Percentile	18.63	29.78	2.88	-0.67	4.05	N/A	N/A
1st Quartile	17.46	26.82	0.13	-2.72	3.70	N/A	N/A
Median	16.10	24.92	-1.90	-4.11	2.83	N/A	N/A
3rd Quartile	15.31	22.11	-3.15	-5.22	2.11	N/A	N/A
95th Percentile	13.91	16.26	-5.25	-5.81	1.41	N/A	N/A

## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



5th Percentile  
1st Quartile  
Median  
3rd Quartile  
95th Percentile

-34.05  
-35.25  
-36.09  
-39.32  
-41.34

10.47  
9.04  
7.49  
5.72  
1.50

17.37  
15.95  
13.96  
13.13  
12.40

8.15  
7.70  
7.22  
6.91  
6.19

N/A  
N/A  
N/A  
N/A  
N/A

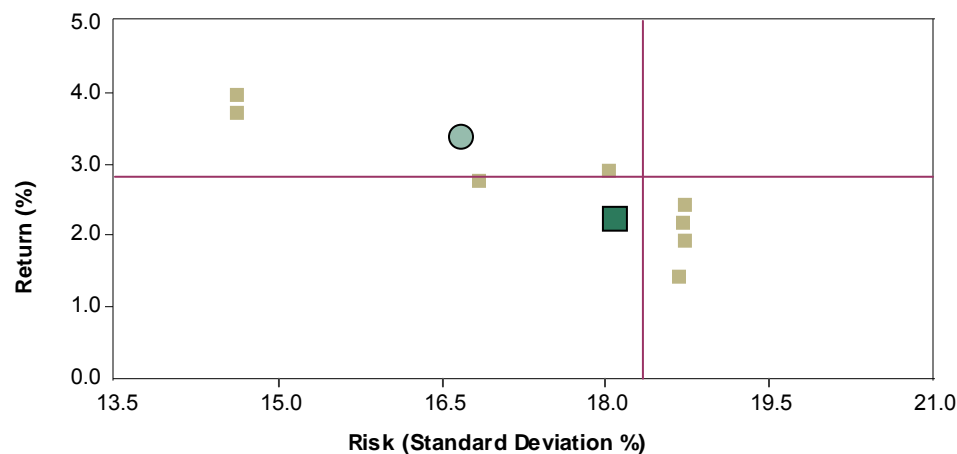
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N/A

## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2040	2.22	18.08	0.05	-1.23	1.08	0.99	2.13	-0.40	18.07	04/01/2001
13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	3.38	16.68	0.11	0.00	1.00	1.00	0.00	N/A	16.66	04/01/2001
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.00	16.66	-0.11	0.00	04/01/2001

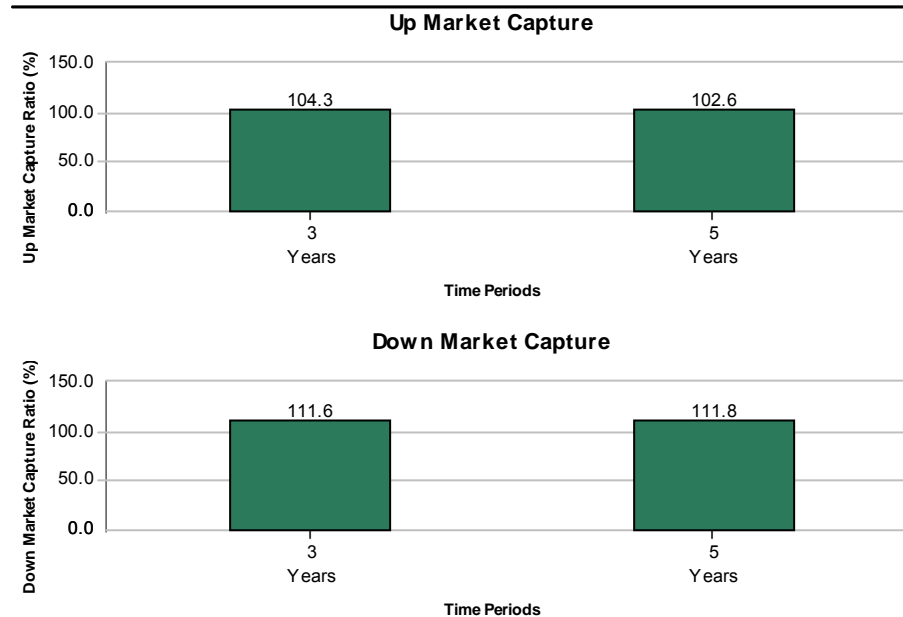
## Peer Group Scattergram (10/01/04 to 09/30/09)



	Return	Standard Deviation
Principal Lifetime 2040	2.22	18.08
13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	3.38	16.68
Median	2.83	18.35

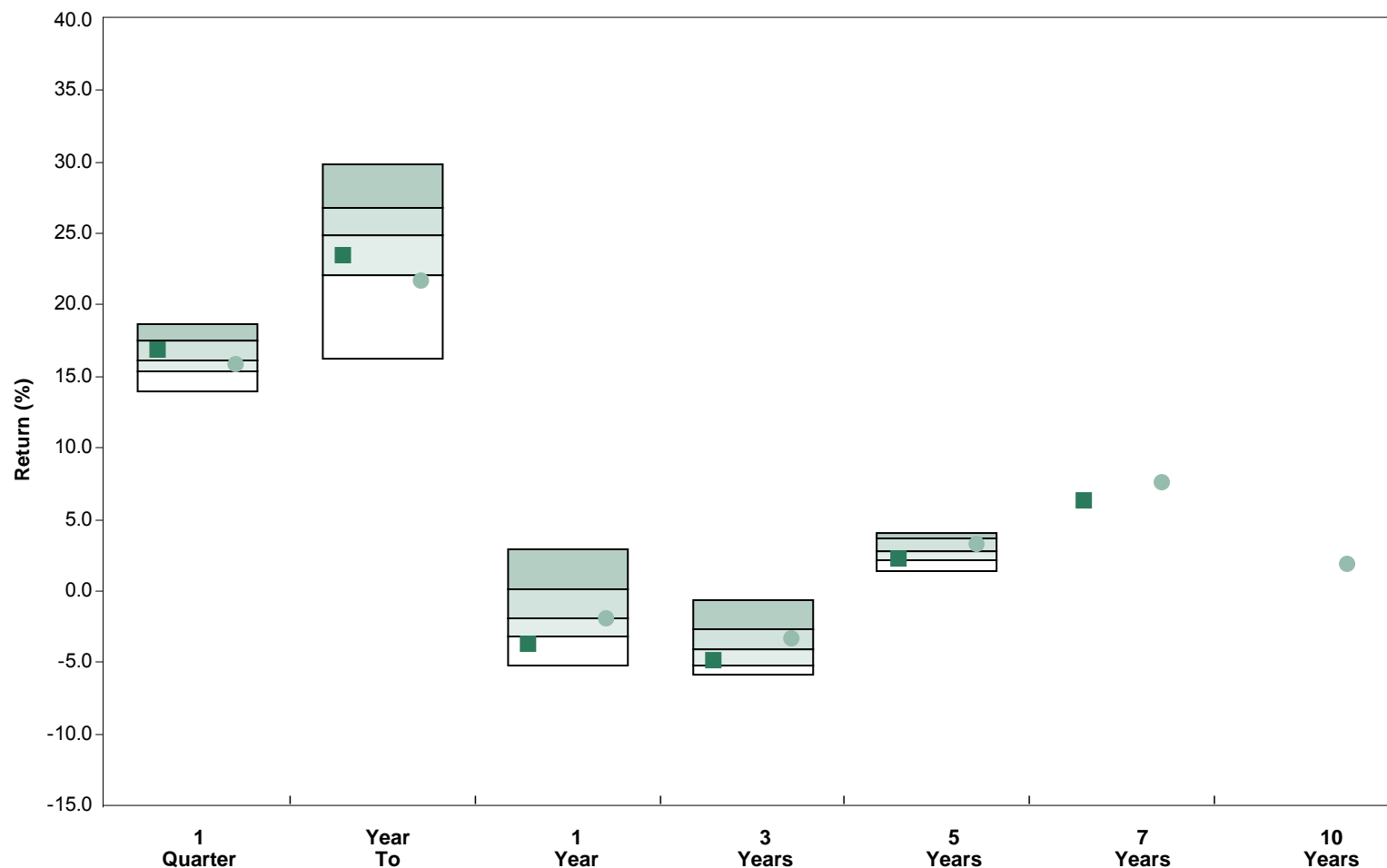
\* Quarterly periodicity used.

## Up Down Market Capture



# Principal Lifetime 2050

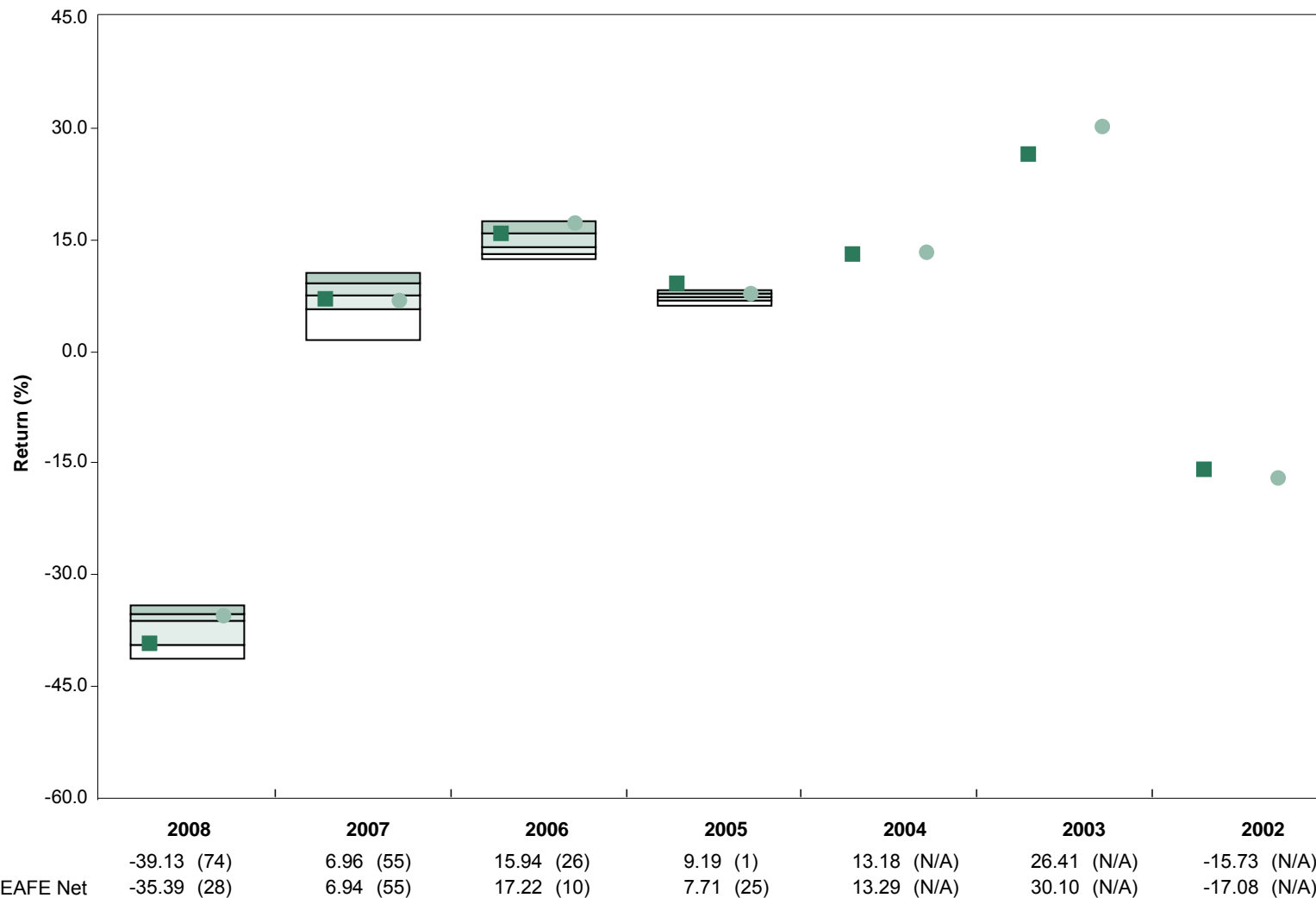
## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



Principal Lifetime 2050	16.90 (35)	23.44 (62)	-3.73 (85)	-4.87 (69)	2.26 (70)	6.30 (N/A)	N/A
10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net	15.82 (65)	21.77 (81)	-1.94 (52)	-3.33 (40)	3.26 (40)	7.66 (N/A)	1.95 (N/A)
5th Percentile	18.63	29.78	2.88	-0.67	4.05	N/A	N/A
1st Quartile	17.46	26.82	0.13	-2.72	3.70	N/A	N/A
Median	16.10	24.92	-1.90	-4.11	2.83	N/A	N/A
3rd Quartile	15.31	22.11	-3.15	-5.22	2.11	N/A	N/A
95th Percentile	13.91	16.26	-5.25	-5.81	1.41	N/A	N/A



## Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



5th Percentile  
1st Quartile  
Median  
3rd Quartile  
95th Percentile

-34.05  
-35.25  
-36.09  
-39.32  
-41.34

10.47  
9.04  
7.49  
5.72  
1.50

17.37  
15.95  
13.96  
13.13  
12.40

8.15  
7.70  
7.22  
6.91  
6.19

N/A  
N/A  
N/A  
N/A  
N/A

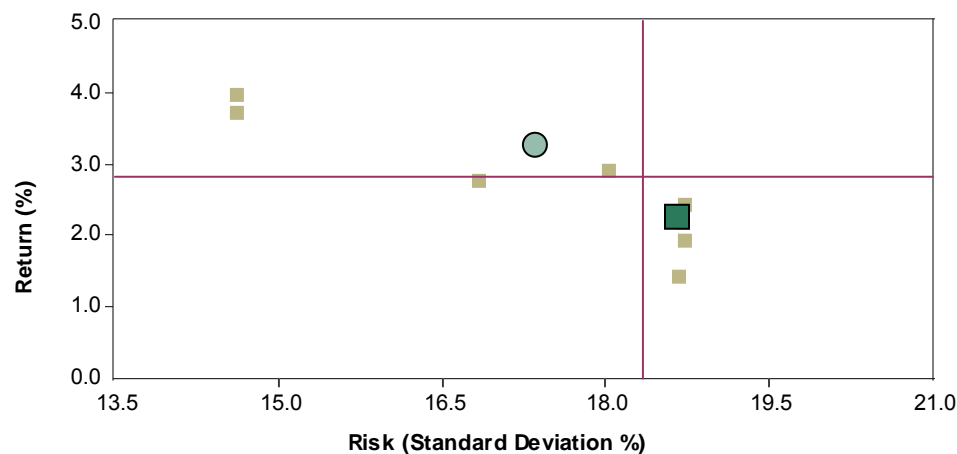
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N/A

## Historical Statistics (10/01/04 - 09/30/09) \*

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2050	2.26	18.65	0.06	-1.06	1.07	0.99	2.02	-0.36	18.64	01/01/2002
10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net	3.26	17.35	0.10	0.00	1.00	1.00	0.00	N/A	17.34	01/01/2002
90 Day U.S. Treasury Bill	3.03	0.88	N/A	2.99	0.00	0.00	17.34	-0.10	0.00	01/01/2002

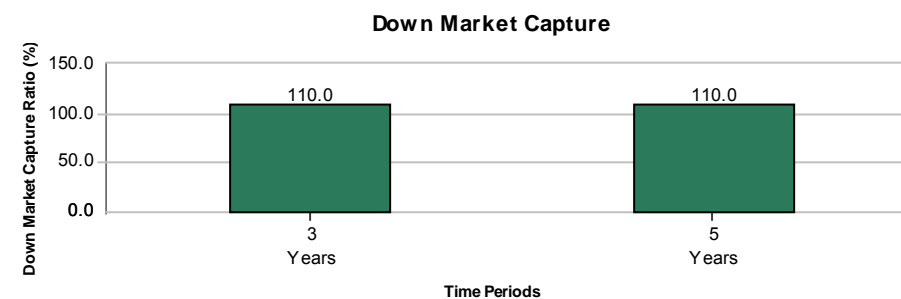
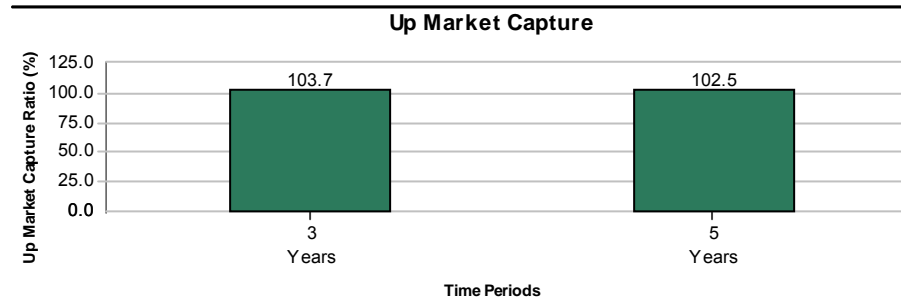
## Peer Group Scattergram (10/01/04 to 09/30/09)



	Return	Standard Deviation
Principal Lifetime 2050	2.26	18.65
10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net	3.26	17.35
Median	2.83	18.35

\* Quarterly periodicity used.

## Up Down Market Capture



VEXPX

<b>Overall Morningstar Rating</b> ★★★★	<b>Total Assets</b> \$8,464 mil	<b>Morningstar Category</b> Small Growth	<b>Inception Date</b> 12/11/1967	<b>Family</b> Vanguard	
<b>Manager</b> Troyer/Antoian/Abrams/Heffern/Gran	<b>Manager Tenure</b> 7.7 Years	<b>Total Holdings</b> 1,056	<b>Expense Ratio</b> 0.51%	<b>12b-1</b> 0.00	<b>Sharpe Ratio</b> -0.19%

## Portfolio Analysis

Asset Allocation		Equity Style Details			Risk Profile				
	Cash	5.56	<div>Large</div> <div>Mid</div> <div>Small</div>	<b>Avg Mkt Cap \$Mil</b>	1,658		3 Yr	5 Yr	10 Yr
	U.S. Stocks	90.16		<b>P/E Ratio TTM</b>	16.5	Morningstar Rating	3★	3★	4★
	Non-U.S. Stocks	4.01		<b>P/C Ratio TTM</b>	7.8	Standard Deviation	22.99	19.81	22.51
	Bonds	0.00		<b>P/B Ratio TTM</b>	2.1	Information Ratio	0.15		
	Other	0.27		<b>Turnover Ratio</b>	112%				
		Value	Blend	Growth					

Sector Weightings

	Stocks %
<b>Information Economy</b>	<b>28.3</b>
Software	9.1
Hardware	12.2
Media	2.1
Telecommunication	4.9
-----	
<b>Service Economy</b>	<b>49.7</b>
Healthcare Services	19.0
Consumer Services	12.0
Business Services	10.2
Financial Services	8.5
-----	
<b>Manufacturing Economy</b>	<b>22.1</b>
Consumer Goods	7.6
Industrial Goods	8.7
Energy	4.8
Utilities	0.9

% Assets in Top 10

10.54%

# Vanguard Total Bond Market Index

VBMFX

**Overall Morningstar Rating**  
★★★★

**Total Assets**  
\$58,103 mil

**Morningstar Category**  
Intermediate-Term Bond

**Inception Date**  
12/11/1986

**Family**  
Vanguard

**Manager**  
Volpert/Davis

**Manager Tenure**  
9.1 Years

**Total Holdings**  
12,800

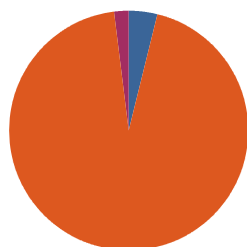
**Expense Ratio**  
0.22%

**12b-1**  
0.00

**Sharpe Ratio**  
0.92%

## Portfolio Analysis

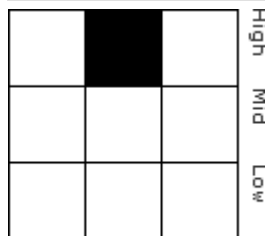
### Asset Allocation



■ Cash  
■ U.S. Stocks  
■ Non-U.S. Stocks  
■ Bonds  
■ Other

4.02  
0.00  
0.00  
94.05  
1.93

### Fixed Income Style Details



Short Interm Long

**Avg Eff Duration** 4.30  
**Avg Eff Maturity** 6.60  
**Avg Credit Quality** AAA  
**Avg Wtd Coupon** 5.15  
**Avg Wtd Price** 105.54

### Risk Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating	4 ★	4 ★	4 ★
Standard Deviation	4.04	3.66	3.77
Information Ratio	0.02		

### % Assets in Top 10

10.67%

### Credit Analysis

Credit Rating	Bond %
AAA	79.27
AA	3.64
A	9.64
BBB	7.44
BB	0.00
B	0.00
Below B	0.01
NR/NA	0.00

# Vanguard Windsor II

VWNFX

**Overall Morningstar Rating**  
★★★

**Total Assets**  
\$33,320 mil

**Morningstar Category**  
Large Value

**Inception Date**  
06/24/1985

**Family**  
Vanguard

**Manager**  
Barrow/Troyer/Davis/Lieberman/Shan

**Manager Tenure**  
7.0 Years

**Total Holdings**  
262

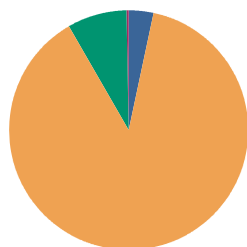
**Expense Ratio**  
0.39%

**12b-1**  
0.00

**Sharpe Ratio**  
-0.34%

## Portfolio Analysis

### Asset Allocation



Cash	3.20
U.S. Stocks	88.53
Non-U.S. Stocks	7.91
Bonds	0.00
Other	0.36

### Equity Style Details

	Value	Blend	Growth
Large			
Mid			
Small			

<b>Avg Mkt Cap \$Mil</b>	37,129
<b>P/E Ratio TTM</b>	13.7
<b>P/C Ratio TTM</b>	5.0
<b>P/B Ratio TTM</b>	1.8
<b>Turnover Ratio</b>	37%

### Risk Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating	3 ★	3 ★	3 ★
Standard Deviation	20.54	16.53	15.78
Information Ratio	-0.24		

### Sector Weightings

#### Information Economy

Software	3.7
Hardware	9.6
Media	1.4
Telecommunication	5.2

#### Service Economy

Healthcare Services	13.9
Consumer Services	5.2
Business Services	1.3
Financial Services	15.9

#### Manufacturing Economy

Consumer Goods	10.8
Industrial Goods	15.4
Energy	11.4
Utilities	6.1

### % Assets in Top 10

27.23%

### Valuations and Growth Rates

Price/Prospective Earnings	14.1
Price/Book	1.7
Price/Sales	0.9
Price/Cash Flow	5.1
Dividend Yield	4.4
Long-Term Earnings	9.3
Historical Earnings	-6.4
Sales Growth	6.6
Cash-Flow Growth	4.8
Book-Value Growth	-3.3

### Stock Portfolio